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PRESENTATION

Operator

Welcome to the Rogers Communications second-quarter 2014 results analyst conference call. (Operator Instructions). I will now turn the conference over to Bruce Mann with the Rogers management team. Please go ahead, sir.

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

Thank you, Luke, and good morning, everyone. Thank you for joining us. It is Bruce Mann here. Joining me in Toronto are Rogers' President and CEO, Guy Laurence, and our Chief Financial Officer, Tony Staffieri.

We released our second-quarter results earlier this morning. The purpose of this call is to crisply provide you with a bit of additional background upfront and then to answer as many of your questions as time permits.

The remarks and discussion will undoubtedly touch on various estimates and forward-looking information, so please look at the cautionary language that is in today's earnings release and in our 2013 annual report that language applies to the discussion this morning on the call.

With that I will turn it over to Guy Laurence and then to Tony Staffieri both for some brief remarks on the quarter and then we will be pleased to take your questions. Over to you, sir.

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

Thanks, Bruce, and good morning, everyone. I hope you are having a good summer so far and this provides a small ray of sunshine to add to your enjoyment. Let me start by giving you a bit of context around the quarter and then Tony will add additional detail and color around the financials.

So during the second quarter we saw some modest progress on the trajectory of the revenue line and we continue to generate strong margins and cash flow as well as improved churn. There are a number of specifics that you can see in the release and Tony will take you through these in a few minutes.

From my perspective one of the more important items of the second quarter is what we began to put in place to take the Company forward. I trust that most of you are aware of the Rogers 3.0 plan which we announced in the latter part of the quarter.

So, this is a multiyear plan that will significantly enhance customer experience, simplify and drive better accountability across the business, improve our agility and reaccelerate growth in revenue and cash flows relative to our competitors. We are just eight weeks into implementing the plan and organizational structure to support it and I expect to have largely completed the reorganization by September.

As part of simplifying the management structure and organizing it more around the customer, nearly 15% of vice president and above positions have been eliminated as well as several hundred other mid-level management positions.

We've also now established a consumer business unit and an enterprise business unit and we are putting in place certain disciplines that you can already start to see the beginnings of in the revenue and subscriber results this quarter.

This includes a more disciplined approach to pricing that starts to shift the balance somewhat away from just new subscriber volume and more towards value. Basically we are making sure we pay as much attention to the opportunities we have with our significant customer base as we do to that of growing the base of customers.

In addition, we've now created our new customer experience team which reports directly to me and includes 10,400 employees and we have started roadmap planning for improving the various touch points.

Another of the seven priorities is to maintain our network and innovation leadership. In support of that agenda you saw us announce the early deployment of 700 megahertz spectrum in literally a few weeks after the spectrum results were revealed. And we are already live across parts of Vancouver, Calgary, Montreal and Toronto markets.

We also signed what is called a Partner Market Agreement with Vodafone, the world's second largest Wireless carrier to become its exclusive innovation partner in Canada. The agreement extends Vodafone's international experience, innovation and scale to Rogers in this country to generate what I expect to be a number of customer revenue, cost savings and product opportunities.

In terms of our priority to go to market as One Rogers, we have a large cross departmental team in the latter stages of delivering our NHL launch plan that will go right across the Company from Wireless, Cable, TV, Publishing and Radio.

With 76 days until the puck drops our Sportsnet team is well underway with the construction of our new broadcast TV sets. And it is worth remembering that we will deliver double the number of games on free over the air TV and twice as many Saturday Hockey Night in Canada games than ever before.

You also saw us continue to invest in the Next Issue digital platform as well as the Toronto Blue Jays and we are pleased with how that has translated into performance on the field and ratings for Sportsnet. It is obviously still very early days, but there is a tremendous amount of work going on behind the scenes setting the stage. And we are making progress putting in place the new team and structure as well as cascading that structure and accountability down the organization.

As I've said to you before and I will reiterate it, you are not going to see big changes overnight. But I am confident that you will see us moving in the right direction over the coming quarters. So with that let me turn this over to Tony for some additional context and details around the financials.

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

Thank you, Guy and good morning, everyone. I will provide some more detail and color around the financial results and metrics for the quarter and then we can get into your specific questions.

During the second quarter we continued to generate solid cash flow and we further expanded our strong operating margins year over year at Wireless and Business Solutions which contributed to delivering consolidated overall adjusted operating profit growth year on year of 1% in the quarter compared to a decline of 2% last quarter.

We also continue to leverage our superior networks to deliver strong data revenue growth across both our Wireless and broadband Cable platforms. In addition, we further improved the rate of postpaid churn in our Wireless business by 4 basis points and the rate of basic subscriber losses in our Cable business improved by 6% year over year.

As we've said before, we are extremely focused on sustainable revenue growth fundamentals across the business. Q2 results show some early movement in the right direction as our consolidated revenue, excluding equipment, moved to growth of 1% year on year in the quarter, up from being flat last quarter.

The largest driver of that shift was Wireless network revenue which was steady in the quarter compared to the prior year versus a 3% year-on-year decline last quarter. But we are obviously not where we want to be and it is very early days in terms of a number of efforts that we believe will serve to shift this trajectory more positively over the coming quarters.

In terms of postpaid ARPU, the year-over-year decline was 1.4% compared to a decline of 4.9% last quarter. The easing of that decline reflects two primary components.

First, our discipline around pricing and promotions as well as other initiatives drove non-roaming network revenue up 2% in the quarter. In fact, excluding roaming revenues, postpaid ARPU in the second quarter would have been essentially flat year on year compared to what would have been a normalized decline of 2.6% last quarter.

While this level of underlying growth isn't where it needs to be, as we've stated before, it is in large part the result of voice revenue features like caller ID, voicemail and domestic long-distance becoming standard features in our Simplified and Share Everything plans.

Secondarily, our new international roaming packages introduced over the past year continue to contribute to ARPU pressure, only a portion of which we recently started to lap. The impact year on year was to drive more than a point of overall decline in both network revenue and ARPU.

While the Wireless service revenues were steady year over year a decline in equipment revenues reflects both the lower number of Wireless device upgrades by existing customers, as well as the lower gross subscriber additions during the quarter compared to Q2 of last year.

However, at the same time at Wireless we were able to drive adjusted operating profit growth of 3% year over year with solid margin expansion of 120 basis points to 50.4%, in large part due to the lower overall equipment margin subsidy which was down about 12% or $30 million in the quarter.

Despite our lower equipment spend on the retention side we are pleased with the 4 basis point improvement in postpaid churn, which was down to 1.13%, the fourth straight quarter we have demonstrated progress on this important metric.

While smartphone demand has remained strong and we activated 588,000, 31% of which were new subscribers to Rogers, there has been a continued slowing on the gross add front as we saw across the industry the last few quarters following the industry transition from three to two-year contracts. This trend clearly continued during Q2 which led to the 17% decline in gross additions, which, even after the continued improvement in churn, brought net postpaid additions down to 38,000.

Turning to Cable -- revenue was again this quarter essentially flat year over year led principally by the impact of basic subscriber losses over the past year, mostly offset by growth in Internet subscribers and ARPU improvements.

We made a conscious decision to pull back on some of the promotional and retention pricing activity that was going on in the market during Q1, and you saw the benefit of that in the sequentially improved trajectory of Cable operating profit this quarter versus Q1. At the same time TV subscriber losses improved 6% year over year but were down sequentially in part because Q2 is always a bit of a seasonally slow subscriber quarter.

At our Business Solutions segment the shift to and growth of on-net next gen revenues continues to drive improvements in the financial profile of this business. Next gen revenue now represents 71% of total service revenues and grew 29% year over year helped by our 2013 data center acquisitions. These were in turn partially offset by planned ongoing declines in the legacy off-net revenues.

In the Media segment revenue growth slowed sequentially to 1% year over year. Several things going on which drove this. First there were fewer NHL games aired in the second quarter of 2014 as a result of the compressed season last year.

Secondly, there was lower sequential revenue growth at the shopping channel compared to Q1 in part because of the timing of shipments that spilled from Q4 into January.

And finally, we are lapping the acquisition of The Score, now known as Sportsnet 360, that occurred at the end of April last year. So our Q2 revenues have now largely lapped that acquisition in the quarter.

Excluding those items most of the growth trends are intact where we are seeing good growth at Sportsnet and continued growth at radio and sports entertainment. While at the same time we continue to see a modest continued deterioration in the advertising markets, particularly on the broadcast TV and print side of the Media business.

Looking at Media's adjusted operating profit line, the $10 million decline year over year is primarily a reflection of investments we've made in the business, including higher payroll costs at the Blue Jays and start-up costs relating to Next Issue and our NHL broadcast rights package.

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 13% or 12 cents year over year. This was driven almost all by higher depreciation and amortization expense which contributed $0.13 to the decline. As I mentioned last quarter, this was a result of our 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. And finally, there was the amortization impact of increased intangible assets resulting from acquisitions made over the past year.

I want to highlight that our free cash flow for the quarter was impacted by the timing of Capex investments. We are right on plan for our full-year Capex spend and the increase for the current quarter simply reflects a more focused deployment of our capital in a way that is better spread more efficiently across the full year.

Normalizing for spend relative to last year the free cash flow decrease would have been about 4% with most of that attributable to the timing of cash tax payments.

I should also highlight that we also spent $30 million in restructuring and integration costs in the quarter, most of which relates to severances and costs associated with the elimination of the positions that Guy made reference to in his remarks.

Looking at the balance sheet, we ended the quarter with $2.6 billion of available liquidity consisting of $2.5 billion available under our bank facility and approximately $100 million under our accounts receivable securitization program.

Leverage is at 3x debt to EBITDA, or closer to 2.8x if you give effect to the approximately $960 million current market value of equity securities we hold. And there is no change to our previously stated plan to manage our leverage back down to within our target 2 to 2.5 times range as we go forward utilizing portions of the significant free cash flow we generate even after the payment of income taxes and dividends.

To sum up, I would say that overall from a financial perspective it was a stable quarter that showed some modest progress on a sequential basis. You can also see from the release that we have reiterated our full-year 2014 consolidated financial guidance ranges.

Clearly reaccelerating top-line growth and continuing to enhance the customer experience are very key focuses for us as we progress through 2014 and we expect more results on that front. With that I will pass it back to Bruce.

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

All right, well, thank you very much. Operator, quickly before we begin taking questions we will request, as we do on each quarter on these calls, that those participants asking questions limit them to one topic and one part, that way 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 separately for you after the call.

So with that, if you would explain to the participants how you would like to organize the polling process, if you will, we are ready to go.

QUESTION AND ANSWER

Operator

(Operator Instructions). Jeff Fan, Scotiabank.

Jeff Fan - ***Scotia Capital Markets - Analyst***

My question is on the smartphone penetration. I think this is the first time since the smartphone had taken off that we are seeing penetration -- no penetration gain as a percentage of your base. I think it has been flat at 76% now for the last couple of quarters. But on the positive side I think you are seeing data revenue growth accelerate a bit.

So obviously there is a little bit of -- it looks like there is a little bit of growth in usage. Can you talk a little bit about what is going on there? Are you saying multiple device adoption, are you seeing tablets? What is driving that data revenue growth even though the penetration gain hasn't really stepped up?

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

Jeff, it is Tony. you are right in that our penetration is flat this quarter at 76%. What we are seeing is, notwithstanding the 31% that came in new to Rogers, high proportion of our base is going from smartphone to smartphone.

And so, the increase and data revenue that we're seeing is really attributable to increased data usage, which is translating to customers moving up tier to packages that offer greater data buckets. So that is really the driver of the data increase that you see.

Jeff Fan - ***Scotia Capital Markets - Analyst***

And just a quick follow-up. Are you -- without the smartphone activations or the volume not really picking up there, are you seeing an increased number of bring-your-own-device customers coming in? And are these customers activating on contracts or are they going month to month? If you can just help me -- help elaborate on that a little bit.

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

Yes, Jeff, the bring-your-own-device plans that we introduced a little while ago are having some what I would describe as moderate to good success. And what we are seeing are those customers coming in largely with a smartphone and predominantly on a no contract basis.

Operator

Simon Flannery, Morgan Stanley.

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

Guy, you have obviously had a lot of experience with different competitive environments at Vodafone. It looks like Europe is moving down the four player to three player route in markets like Germany and Austria, Ireland, etc. It is a big debate in the Canadian market. Can you just provide your perspective on what you think the right industry structure is and the challenges and how that impacts Rogers in terms of regulatory risk, etc.?

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

Well, it is a good question, I think it is a lot of moving parts at the moment. The government seems to continue to be very focused on having a fourth player, facilities-based player we are assuming. And they are entitled to their opinion. I am on the record as saying I am not sure it is the wisest strategy given the geography of the country and what we've seen in Europe, but that is their choice and we respect that.

There is a lot of froth at the moment in terms of different people seem to be examining the potential for setting up a fourth player and that creates some nervousness in the marketplace and you see that reflected I think in everyone's share price right now.

At the end of the day though, I mean assuming that they do pick up some of the smaller players, we will have to see what happens. But yes, it is worth reminding ourselves, if you actually look at the Canadian market by province, we have five players in British Columbia already, we have four in Alberta -- sorry, five in Alberta, we've got just four in Saskatchewan, four in Manitoba, five in Ontario and so on and so forth.

So I mean on the one hand you can say that if they come together what actually changes? On the other hand the government seems very clear in its priority to consolidate these smaller players together or have a new fourth player that is facilities based.

So I find it difficult to call in terms of the impact it is going to have. But I think there is a little bit too much froth in the discussion at the moment given that we do have in some cases five players in at least three provinces I can think of and four players in at least another five provinces that I can think of. So I think it may be a little bit overstated in some of the reports I have seen of the impact.

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

Great, thank you.

Operator

Bob Bek, CIBC World Markets.

Bob Bek - ***CIBC World Markets - Analyst***

Guy, just to get your thoughts on recent activity yesterday with a competitor of yours in Eastern Canada then the changes at BCE, obviously a very competitive market already and a good competitor there. But increased focus on Wireless bundling perhaps, the LTE commitments out there, just your thoughts on that development?

And again, related to that, I think clearly as the industry is mature we are seeing a greater focus on cost and perhaps on marketing heft. And just your thoughts on M&A in an environment where you are going to see continued maturity in the marketplace. Thanks.

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

It is an interesting development. I wouldn't say it was unexpected. We have seen that Aliant quite probably is more nimble than its mother ship and I would hope now it is combined with its mother ship it will become less nimble as the impact of bureaucracy starts to drag on the management team out there.

Bob Bek - ***CIBC World Markets - Analyst***

And your thoughts on M&A at all. I mean is there rationale as we get -- penetration numbers start to get closer to 100 on most products?

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

I'm sorry, I didn't quite understand the question.

Bob Bek - ***CIBC World Markets - Analyst***

Just M&A activity you think in the industry as a whole given that the focus is increasingly turning to costs and greater marketing bundling as penetration numbers get closer to 100 on most products.

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

I can't really speak for the industry. What I have said is, and I am not an M&A junkie myself and we have a great train set here at Rogers and we intend to play with what we've got.

Operator

Phillip Huang, Barclays.

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

A question on ARPU. Nice improvement on the postpaid ARPU trend. But I also believe your previous commentary in the past has suggested perhaps a more gradual improvement because the migration to Share Everything plans may result in some cannibalization of revenues, as you mentioned, long-distance and caller ID.

So I was wondering, was there any area that was a bit stronger than you had expected in the quarter? And also understanding that there is some volatility in quarterly performance as you guys turn around the business, was wondering whether we could still potentially expect postpaid ARPU to return to growth in the second half?

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

Phillip, it is Tony. I would say we are pleased with the way the ARPU trend is shifting. And keep in mind it is early days and it is a subtle shift. But we are pleased with the fundamentals underpinning that.

There is a little bit of us lapping, as I mentioned in my comments, Q2 of last year. But we are seeing is if you take out roaming, as I said, good progress on that.

As we continue to work with our base and move to Share Everything plans we are finding that to be helpful and in most cases accretive, as well as acquisition ARPU is coming in nicely as we pull back on some of the promotional activity that we saw in the past that we think weren't helpful to lifetime value economics. And so that is trending well also.

So I would say overall there is a number of different initiatives that are going on underneath, but we don't see them as one time pops. They are slow, they are sustainable in our view, and more to come on that front.

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

Right. And just a quick follow-up. On your year-to-date adjusted EBITDA is still tracking below the low end of your guidance. But you have not revised it this quarter. I was just wondering if we should assume stronger trends in general into the second half. And aside from your commentary on Wireless, where the strength might come from as well.

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

As I said, we are reiterating our guidance on a consolidated basis for the metrics we provided, which include adjusted operating profit for the full year, and we intend to hit that guidance.

Operator

Adam Shine, National Bank Financial.

Adam Shine - ***National Bank Financial - Analyst***

Maybe just following up on the Share Everything plans. Tony, I think less quarter you highlighted that a majority of subscribers were actually taking the plans. Can you give us a sense as to possible percentages, incremental improvement, and average number of devices per shared plan. And then maybe just on the back of the Verizon results, I think Jeff touched on this earlier. Are you seeing any material uptick in Wireless tablet activations?

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

Thanks, Adam. In terms of that Share Everything plan, we are seeing good traction on that. 43% of Rogers' postpaid gross adds are coming in on the Share Everything plan. So keep in mind Share Everything right now is only available on Rogers. And so, we are seeing good traction with that plan.

Your second question relates to tablets. As you know, we have been offering a tablet program. I would say that the growth is clearly not as strong for us as you would have seen in the results with some of our peers south of the border. We do not have a subsidized tablet program, something we are looking at, we will continue to look at it and at the right time we will make the right decision.

But I would say the difference in tablet subscriber growth is largely attributable to that. Putting aside the actual subscriber numbers, we continue to look at the economics of it and particularly in the context of Share Everything and at the right time we will look at the total value and whether it is accretive.

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

I also think that in respect of tablets that you need a trigger point to encourage the public to buy them above the normal sales rate. And you can imagine that that trigger rate might come in about 76 days time.

Operator

Richard Choe, JPMorgan.

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

One quick follow-up on the ARPU question. Given some of the anniversarying and third quarter being kind of a bigger seasonal roaming quarter, should we expect ARPU to be under pressure a little bit more in the third quarter or are we kind of through the big pressures?

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

Richard, it is Tony again. I would say if you were to look at our underlying ARPU, excluding roaming, as we continue to work on different initiatives we don't expect it to have pressures at least in the third quarter. But if you then look at roaming, as you said, it is a seasonally higher quarter. And we haven't totally lapped the impacts of the new packages we put in place.

Earlier this spring, for example, we introduced our international roaming packages for $9.99, and so that is a new one that is in the marketplace. And international roaming outside of the US is a big part of our roaming during the summer months. And so, you could expect that roaming pressure will continue not only in Q3 but probably for several quarters.

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

Okay, great.

Operator

Vince Valentini, TD Newcrest.

Vince Valentini - ***TD Newcrest - Analyst***

One follow-up on that and then another question. The roaming rates, it has now been a year since the first wave of changes. Can you give us any data points on increased volumes yet that you may be seeing to offset the lower rates?

And then second, just the Cable subs, can you give us any more context there? There seems to be a bit of an increased decline versus what we saw in the first quarter, especially on the Internet side. Is this just the normal competitive intensity of Bell being aggressive and you having to fight against that or is there anything else you can point to this quarter?

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

Thanks for the question, Vince. Real quick on the first question on roaming. As you said, our US cross border roaming packages, the $7.99 packages have had good success and we are pleased with the way the adoption rates and utilization rates are trending on those.

I would say they are largely on track to our expectation, we are expecting further growth in that. It is still early but we expect more to come from that.

On the Cable subscriber front, a couple of things going on there. If you were to look at the two things you mentioned, one is the TV Video Cable subscribers and you see the loss increasing from Q1, two-thirds of that largely relates to the seasonality. And so what we see in the second quarter are largely University students, for example, that are disconnecting. And so, two-thirds of that is seasonality.

If you were to look at last quarter from Q1 to Q2, the increase in TV losses was 10,000 and this quarter it is 13,000. The other impact of about a third is really a reflection of our pull back on some retention, largely retention as well as some promotional acquisition offers that were out there that we just didn't think had good economic value metrics to them. So we pulled back on those. And so, we are pleased with, notwithstanding that, what we are seeing in revenue and ARPU growth on the TV side.

In terms of Internet, the slow quarter is also a reflection of the same thing where we are seeing disconnects typically higher in the second quarter. We continue to work with the competitive intensity that is out there and same comment with respect to the pullback of promotional retention offers in the second quarter applies to Internet as well.

Operator

Glen Campbell, Bank of America.

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

So my question is on Wireless ARPU, which turned faster than we were expecting certainly on an ex-roaming basis. So I wondered if you could give us a bit of a sense of what helped you in the second quarter.

I mean I guess based on what we all see, we know the pricing moves that took effect for new customers towards the end of Q1 and we know you've been taking a firmer line let's say with existing customers starting late in Q2. But I am just surprised that say the new customer price changes would have had as much benefit as they seemed to during Q2. So I am wondering if there are other things that did help you then.

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

Hi, Glen, it is Guy. We are doing a number of initiatives, but to be honest I don't want to tell you what they are. Because we are experimenting with a different number of different formats talking to our base and communicating offers to them. And it is quite a key part of our plan and our shift to value. So you will have to excuse me on this occasion, Glen, but I am not going to answer the question for competitive reasons

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

Fair enough. If I could try another sort of simpler one. The NHL contract that you are getting ready for, we saw some expense this quarter. Could you talk generally about how expense and revenue might hit your P&L as you, I guess, first get ready for it, and second incur content costs and then finally the revenues that go with it? I just want to get a sense of that how that is likely to flow through the quarters.

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

Glen, it is Tony. As we stated when we signed the agreement, and our plans continue to be on track to that, we expect the NHL contract to be accretive to our Media earnings, putting aside the benefits that we expect to get across the Company, but within the Media business and financials. We expect it to be accretive on a full season basis from the get go. So you ought not to expect to see profitability be impacted on a full season basis as a result of the NHL contract.

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

And could you help me a little bit in terms of say what will hit this year and what might then be in the next calendar year?

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

Well it is largely going to be driven by the games. And so you should expect that given some of the upfront investments that we make that for this year it will be slightly positive to results but with most of the upside on the profit basis in the second part of the season, Q1 and Q2 for us.

I should also say that what you will see though this year in largely Q4 is an uptick in revenue relating to the NHL games.

Operator

Drew McReynolds, RBC.

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

A couple of questions left for me. Tony, just, I know you have begun to track ARPA internally. Just wondering if you could kind of comment on what you are seeing with respect to ARPA and is it tracking in terms of the similar delta that we are seeing on ARPU?

And then second question just on margins. With certainly some of the cost efficiencies you appear to put through in the last month or so, is this a pattern here and it's just for modeling purposes where we should see a sequential margin improvement looking at the back half of this year?

But then obviously you've noted in the past you are going to reinvest some of those savings back into the business. But presumably there is a little bit of a lag here between those two events. Can you just help us with that dynamic? Thanks.

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

Drew, on the first question of ARPA, we don't -- as you know, we don't disclose ARPA. So I don't want to comment on it, other than saying that the trends we are seeing are what you would expect, given the Share Everything going on the base that I previously described, as well as the ARPU shift. So it is trending in the right direction and I don't want to say more than that on it.

With respect to cost efficiency, I think a couple of things. Guy has made it clear that this really isn't after necessarily cost efficiency. This is getting at agility and getting the right organization in place to execute on Rogers 3.0. We will invest the savings from some of the restructuring that we have done.

To the extent which quarter it happens in and whether or not it is going to be completely 1 for 1, don't know as we work through that, or at least don't want to necessarily share that at this point. But you ought not to expect longer-term that those savings are going to translate to adjusted operating profit directly.

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

Thank you.

Operator

Tim Casey, BMO.

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

Thanks. Question is on your relationship with Quebecor. As they evolve their thoughts on doing business outside of Quebec, would there be any impact on your relationship and your network sharing agreement and whatnot in Quebec, and how do you think about that going forward? Would you have any interest in any partnership with them as they think about doing something outside of Quebec?

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

Well, I think you need to ask them what their plans are first, if you know what I mean. So if they have got plans to expand, then they are serious and they want to come and talk to us, they know where we are. Simple as that. I have no idea how the conversation would end up, but we haven't had the conversation.

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

I would add to that, that coming out of the 700 given the spectrum that we acquired, we are very comfortable with our network performance and spectrum position nationally. So to the extent that there are compelling dynamics related to it, as Guy said, we will look at it. But we are comfortable with our position right now.

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

But we don't need a partner, and because of the quality of the beachfront spectrum that we bought and the quantity that we bought, so it is over to them.

Operator

Greg MacDonald, Macquarie.

Greg MacDonald - ***Macquarie Capital Markets - Analyst***

The question is for Guy. We saw a pretty material improvement in postpaid churn year over year and you did this with a relatively flat retention spend. So that is pretty positive. I know from your answer to Glen's question, Guy, that you are not going to get into details as to how you are doing this.

But can you at least comment on sustainability of profitable churn improvement going forward? I think that is a big issue. And specifically can we expect similar year-over-year churn improvement numbers in the second half given the fact that it is a stronger selling season?

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

It is a fair question. I think if I am honest with you I don't know because we are doing a lot of experimentation and some things are working and some things are neutral and some things are very positive.

So because it is more of an experimental period rather than a machine that is just churning through and therefore will give consistent outcomes every quarter, it is a little bit difficult to answer the question. But obviously my intent is to head into a period where we have got sustained improvement, that is what we are aiming for. But right now it is still really early days.

Operator

Dvai Ghose, Genuity Capital Markets.

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

So you talked about the 15% elimination of VP positions and above and you took a $30 million charge in the quarter. I am wondering are there further charges to come? And is there any way you can try and quantify the savings? I understand you will reinvest at least a portion, but is there any way you can quantify?

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

Dvai, it is Tony. Just to be clear, the restructuring costs that you saw in the second quarter relate to actions that took place up to the end of the second quarter. We have taken some additional actions in July and you will see the charges for those in the third quarter.

We are not disclosing any further information on what those additional charges could be at this time. We continue to work through the reorganization and at the end of it we will be in a position to -- at the end of Q3 you will see what the restructuring charge is.

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

Yes, just one other thing, Dvai. You said that we are going to reinvest a portion of the savings. I think the right wording would be the vast majority of the savings will be reinvested in expansion. So as you know, we are going to improve customer experience, we've talked about that a lot, but we are actually going to do it.

We are going to expand our investment in enterprise and we are investing in how we are going to use content to promote the overall business. So the right phrase to have in your mind is the vast majority of savings will be reinvested.

Operator

Maher Yaghi, Desjardins Securities.

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

I am asking basically on the Wireless margin that was very strong this quarter. Now this is a balancing act and you guys have done superb in terms of managing that line and those costs in Wireless.

But at some point I wonder how high can you take that number before you again start to hear some negativity relating to how much you guys make in profits in Wireless and that could cause some issues on the regulatory front again.

My question is basically how sustainable that margin line is and how much further can you take it up before you start getting regulatory issues cropping up again?

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

Maher, it is Tony, thanks for the question. A couple of things on the Wireless margin that you saw. First off, it is predominately impacted in the quarter by the number of equipment subsidies that we had both in having lower gross adds as well as retention volumes. So that is one of the big drivers for it.

We continue to invest in customer service. As we've talked about in the past, we've had a cost efficiency program in different parts of the business and those continue to track well. And we are reinvesting those. As I said, customer experience is the biggest part of it.

When you look at the overall margin, since really the second part of your question is what does it mean. I think to look at the actual margin and long-term margin of 50% -- or in our view we think something and we've said in the past 46% to 48% is more of a long-term margin we see sustainable. I think that excludes, importantly, the fixed cost associated with that.

And so, while the industry always talks about margins it is really misleading and you need to take into account all the other fixed costs. And I think what is more relevant and hopefully gets more attention going forward is the Capex and the overall ROI or ROA for the Wireless industry.

Operator

Rob Goff, Euro Pacific.

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

There have been references to what Verizon has done in the South and implications for you. How about we turn to what Comcast is doing with their X1 platform and their up-selling? What would be your takeaways from what they have done with respect to your own market?

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

Rob, it is Tony. We are encouraged by what we see at Comcast. I think some of the things we've started to put in place are working well for us and they have been further along the timeline than us. So I think it is a good proof point.

If you were to look at their user interface, I think the feedback seems to be very good and we have invested in our user interface in NextBox 3.0. We continue to invest in the next generation platform of IP video. We think that will continue to move the user experience further along the lines of what you see there.

The other impact that we see at Comcast is what I would describe as a maturing of the telco IP product in terms of penetration rates. And so, as Comcast continues to improve its products I think it is up against that maturing of penetration rates and you are seeing that in the results. Internet clearly are something they're focused on and the parallel that you see is us focusing on Internet as well.

In our Capex you will see that we continue to invest in Internet speeds, today 95%-plus of our customers can obtain speeds ubiquitously up to 250 megs. And so we are pleased with the way that product is going as well. So we have got all the right fundamentals in place, it is just a matter of continuing to execute month on month, quarter on quarter.

Operator

David McFadgen, Cormark Securities.

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

Just a couple of questions on the Internet business. So the sequential increase in subs wasn't that strong when you look at it relative to Q2 2013, the sequential increase there was quite -- well, it was about 2,000 subs. So it looks like it was more than seasonality going on in the market. I don't know if you can comment on that.

And then when you look at the revenue growth, is most of that attributable to people upgrading to higher data plans or how much of that is pricing actually -- putting through pricing increases?

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

David, thanks for the question. I think two things. One, I do come back to if you look at the subscriber numbers, it is the seasonality as well as, as I have said, pulling back on some of that retention promotional offers that were out there.

We are pleased with the way we are seeing the data growth on that of 9% in the quarter in terms of Internet revenue and good traction on Internet ARPU as well. I would say that what we are seeing is customers moving to higher speed tiers that include higher data buckets. So we are pleased with the way that is going.

Pricing had a smaller impact and it is really the migration to higher buckets that is driving the improvements that you're seeing there. The amount of price increases were low, it was sort of low-single-digits in terms of impact on a theoretical basis, if you will. And so, it is the moving to higher price points.

Operator

Vince Valentini, TD Newcrest.

Vince Valentini - ***TD Newcrest - Analyst***

One different question, you want to get your debt leverage down, you are still sitting on fairly material real estate that you own corporately. Interest rates are low, cap rates are attractive, and the real estate market is vibrant. Is there any chance that you would think about monetizing that real estate to the sale and lease back in order to reduce your debt leverage quicker?

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

Vince, we continue to look at all aspects of our balance sheet certainly with a focus on return on assets that we increasingly have. We are looking at all opportunities. I would say in monetizing our real estate a couple of things, and what you have touched on is we own a large portfolio of real estate.

And you should know that the tax advantages in terms of REITs and some of the other products out there that you would have seen in the US are not as significant in Canada. So as you work through the economics and you look to some of the things that are important to us in terms of control over properties as well as ongoing operating costs, we don't see the economics long-term making sense.

And so, what we would be doing is trading cash now for rent payments essentially forever. And so, we like our structure right now in terms of our real estate.

Operator

And at this time I would now like to turn the call back to management for any closing.

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

All right, well, thanks, Luke. And everybody on the call, thank you much for joining us. The team here appreciates your interest and support very much. If you have questions that weren't answered on the call, please give myself or one of my colleagues, Dan or Bruce Watson a call. Our contact information is on the release. Thank you again. Have a nice day. And this concludes our teleconference.

Operator

And thank you. Ladies and gentlemen, again this does conclude the conference call for today. We do thank you for your participation and you may now disconnect your lines.