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Call

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PRESENTATION

Operator

Good morning ladies and gentlemen. Thank you for standing by. Welcome to the Rogers Communications Inc. Q3 2014 results analyst conference call. At this time all participants are in a listen-only mode. Following the presentation we will conduct a question-and-answer session. (Operator Instructions).

I will now turn the call over to Bruce Mann with the Rogers Communications management team. Please go ahead, sir.

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

Thanks, Ron, and good morning, everyone. We appreciate you joining us. Joining me here in Toronto this morning are Rogers President and CEO, Guy Laurence, and our Chief Financial Officer, Tony Staffieri. We released our Q3 results earlier this morning and the purpose of this call is to crisply provide you with a bit of additional background up front and then to answer as many of your questions as time permits.

I know it is a busy morning for everybody so we will go quickly but today's remarks and discussion will undoubtedly touch on estimates and other forward-looking types of information from which our actual results could ultimately be different. So please review the cautionary language in the results released today and also in our 2013 report. Both apply equally to the discussion this morning.

With that I will turn it over to Guy and then to Tony both for a bit of additional color on the quarter and then we would be pleased to take your questions.

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

Good morning and thanks for joining us. Before we get into the figures which Tony will present, I think it is worth recapping what has been happening during the third quarter in the Company.



So as you will remember late in Q2 we announced a new customer centric organizational structure and during Q3, we have put this in place. So this was not a cost reduction exercise. In fact we have reinvested the savings. It was all about creating agility to go forward with. We reduced the number of VPs and above by 15% and taken out up to three layers of management in parts of the organization. It is not a trivial exercise but it is now complete.

In terms of senior appointments, we have announced two senior appointments, one from Google in the US and the other from Cisco in Canada and we are in the advanced stage of filling our other positions.

On the commercial side, we are now seeing the fruits of our planning with respect to launching NHL which will benefit not just in our Media division but also across Wireless and Cable. Obviously in Q3 we had expenditure with no NHL revenue but now the season has started, revenue will flow in advertising and we can also engage Cable and Wireless customers in a conversation that is beyond pure price. This will take time to flow into the P&L but I do believe it will make a real difference over time.

Just a couple of statistics, when the season opened on October 8, we had a record 8 million TV viewers across Canada, it's almost a quarter of the population tuning in on what was a Wednesday night. In just over two weeks, we have already seen over 1 million app downloads, over 650 terabytes of data, about 650 million megabytes of data have flowed through the app of which we estimate 70% was in customers' homes and 30% was on mobile. On average about 80,000 are streaming live NHL games and on demand video content on game nights using our Game Center Live application. This number is climbing week to week.

In addition, we have launched Rogers hometown hockey which will serve 25 Canadian communities during the course of the season and both London and Selkirk events went extremely well. Not only are the viewers happy and the customers are excited, the Canadian marketers and advertisers are also excited which is evidenced by the fact that our Q4 ad inventory is already well on the way to being sold out. So basically we are off to a good start on the NHL front.

Secondly, you will have seen our joint announcement in late August on shomi, a new subscription on-demand video streaming service with Shaw. This is going to launch in less than two weeks and promises to be a great experience for our customers. This new streaming service will up the ante going to more than 14,000 titles including the most popular show series and library content together with a superior user interface and a more personalized curation for customers. You can expect further announcements on some exciting content deals to come out over the next few months.

We have also been working on our core services and I would like to highlight that for the second year in a row Rogers was recognized as both the fastest broadband Internet service provider and the fastest wireless network in Canada by CPCmag.com. It is just another proof point that the investments we continue to make in our networks are a key differentiator for Rogers.

Also during Q3, there were a couple of high profile CRTC regulatory proceedings. The first was around the future of the Canadian TV ecosystem and the second was specific to wholesale wireless roaming. We put forward very credible and balanced positions and I attended the wireless roaming hearings myself. Both are complex files so we have to wait and see what comes of them but I would hope that the well documented failures of regulatory intervention in Europe are not repeated here because if they are, consumers will suffer as a consequence.

Finally on our move from volume to value, we continue to see progress in both Wireless and Cable. Whilst in Wireless our churn is slightly higher year on year, we know that from our disciplined ARPU in/out analysis that these are predominantly lower value customers and so this does not cause me concern.

Overall we continue to deliver healthy margins and cash flow. As I've said to you before and I want to reiterate it, we are not going to see big changes in the financial metrics overnight as we go through this process but I am confident that you will see us moving in the right direction over coming quarters.

So with that, let me turn this over to Tony for some additional color around the financials.

Tony Staffieri - Rogers Communications Inc. - CFO

Thank you, Guy, and good morning, everyone. Let me quickly provide a bit more detail and color around the Q3 financial results and metrics and then we can get into your specific questions.

During the third quarter, we continued to generate solid cash flow and strong operating margins and importantly as with last quarter's results, Q3 showed slow but steady continued movement in the right direction on key financials. Our consolidated revenue moved to growth of 1% year-over-year from flat in Q2 and from a slight decline in the first quarter. Overall growth was led by Wireless revenue up 2% in the quarter and 3% growth at Business Solutions offset by a decline of 1% at Cable.



While margins were healthy at the consolidated level, there were a number of one-time investments we made that masked the underlying adjusted operating profit margin expansion resulting from continued solid productivity improvements.

We also continue to leverage our superior networks to deliver strong data revenue growth across both our Wireless and broadband Cable platforms. We further moderated the rate of TV subscriber losses in our Cable business by 23% year-over-year and by 9% sequentially from the second quarter. While there was an uptick in Wireless postpaid churn, we can attribute most of this to increased discipline around pricing, promotions and subsidies which is apparent when we look at the improving profile of ARPU in versus ARPU out this quarter.

In our Wireless segment, Q3 network revenue was moderately higher year-over-year and improved for the second straight quarter and versus a nearly 3% decline in Q1. However, it is still early days in terms of a number of efforts that we believe will serve to shift this trajectory more positively over the coming quarters. Although a bit of an improvement from the levels we have seen late last year and at the start of this year, it is not where we want to be. The trajectory of wireless network revenue was driven by a continuation of several trends we saw coming out of the preceding quarters.

In terms of postpaid ARPU, the year-over-year decline was 0.7% versus a decline of 1.4% last quarter and a decline of 4.9% in Q1. The easing of that decline reflects our discipline around pricing, promotions and subsidies as well as other initiatives and we are beginning to lap some of the roaming price changes we made last year.

Network revenue excluding changes in roaming revenue was actually up 2% in the quarter. In fact excluding roaming revenues, postpaid ARPU in the third quarter would have been up 1%. We have essentially lapped the \$7.99 US data roaming pricing we put in place last year but we are seeing increased ARPU pressure from our international roaming packages introduced since then. We are still in the process of tweaking our customer roaming propositions to hone in on the right packaging and value points to drive greater adoption and accelerate growth.

But we have made good progress over the past year. Total roaming revenues both in and outbound are now approximately 8% of our wireless network revenues.

While the underlying non-roaming revenues are not where they need to be as we have stated before, it is also partially the results of voice features like caller ID, voicemail and domestic long-distance becoming standard features in our simplified and Share Everything plans versus historically when they were priced a la carte. This is an effect we have and will continue to see as more of our base migrates onto the Share Everything plans.

Smartphone demand has remained strong as we activated 614,000 in the quarter, 31% of which were new subscribers to Rogers and 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. However, this trend is improving somewhat with new customer additions down 6% in the third quarter compared to the 17% decline we reported last quarter.

Not only were smartphone activations overall up 7% year-over-year, in particular we saw a 38% increase in iPhone activations during the quarter with demand for the iPhone 6 greater than we expected or we could fulfill due to inventory constraints in the latter part of the quarter.

At the same time we continue to be successful around our cost management and efficiency initiatives with operating costs at Wireless down by almost 3% year-over-year excluding the cost of equipment. This allowed us to drive adjusted operating profit growth of 1% with solid margin expansion of 60 basis points to 51.3%.

Turning to Cable, revenue was down modestly this quarter led principally by the impact of television subscriber losses over the past year as well as the timing of price increases and to a lesser extent the lapping of the acquisition of Mountain Cable we completed May 1 of last year. These were partially offset by growth in Internet subscribers and improvements in ARPU.

Cable adjusted operating profit was down year-over-year in the quarter on a 2% increase in operating expenses which resulted from higher investments in NHL related advertising, customer-facing investments and a \$5 million nonrecurring CRTC local program improvement fund fee recorded in the quarter.

At our Business Solution 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 73% of total service revenues and grew 28% year-over-year partially helped by our Pivot Data Center acquisition in October of 2013. These were in turn partially offset by planned ongoing declines in the legacy off-net revenues. We also expanded margins at Business Solutions by 210 basis points to 33.3%.

In the Media segment, revenue was steady year-over-year where continued weakness in the advertising markets particularly in broadcast, TV and print was offset by solid growth at the Sportsnet, Sports Entertainment, Shopping Channel and radio divisions. Importantly in Q4 we will start recognizing revenue from our NHL contract. So far we have been booking the investments associated with preparing to take the NHL initiative live which has been dilutive to Media's operating results the past couple of quarters and now in Q4, the revenue side starts which by order of magnitude is expected to be in the \$100 million range for the quarter.



As Guy mentioned a moment ago, we are off to a great start and we have already sold out the bulk of our NHL advertising inventory for Q4.

Looking at Media's adjusted operating profit line, the \$32 million decline year-over-year is primarily a reflection of investments we made in the business including programming, higher payroll costs at the Blue Jays, start-up costs relating to Next Issue, and our NHL broadcast rights package. So overall on a consolidated basis, we reported adjusted operating profit of \$1.3 billion down 2% year-over-year and adjusted operating profit margin of 40.3%.

I think it is important to also highlight that these are extremely capital intensive industries and while our operating margins are healthy there is a significant amount of fixed investment that they need to cover and we think it is healthy to look at net operational margins after depreciation and amortization which landed at 24% in the third quarter and this doesn't include spectrum costs which are not amortized for accounting purposes.

Turning to consolidated results below the operating profit line, the declines in net income and earnings per share you see were driven largely by higher depreciation and amortization expense which contributed \$0.11 to the \$0.19 decline. As I have mentioned before, this was a result of significantly increased penetration of our new NextBox 3.0 digital set-top boxes at cable which are amortized over three years.

Also contributing is the expansion of our LTE network and the reduced cycle time to implement our asset construction projects which accelerated the commencement of depreciation but also assisted in reducing cash taxes payable.

On an unadjusted basis, you see we also recorded approximately \$90 million of restructuring costs in the quarter. About 85% of this related directly to the reorganization associated with the Rogers 3.0 plan which Guy spoke to a couple of moments ago which in addition to reducing the number of VP and above positions by 15%, also resulted in the reduction of a number of management positions across the business.

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

Looking at the balance sheet, we ended the quarter with just over \$100 million in cash and \$2.6 billion in additional 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 3 times debt to EBITDA or closer to 2.8 times if you give effect to the approximately \$935 million 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 the revenue line and solid underlying margin performance. You can also see from the release that we have reaffirmed our full-year 2014 consolidated financial guidance ranges. At the same time we have pointed out that at this point in the year we believe that full-year actual results will likely fall toward the low end of the guidance ranges we provided at the start of the year for adjusted operating profit and free cash flow with a significant factor being the demand we are experiencing for the recently introduced iPhone 6.

With that, I will pass it back to Bruce.

Bruce Mann - Rogers Communications Inc. - VP of IR

Thanks, Guy and Tony. Ron, quickly before we begin taking questions, we will request as we do on each of these calls, that those participants who do want to ask questions limit the questions to one topic and one part so as many people as possible have a chance to participate in the question and answers. And then to the extent we have time we will circle back and take additional ones or we will get them answered for you separately after the call.

So would you quickly explain how you want the participants to queue in for the Q&A polling process and then we will jump in?

QUESTION AND ANSWER



Operator

(Operator Instructions). Drew McReynolds, RBC Capital Markets.

Drew McReynolds - RBC Capital Markets - Analyst

Good morning. Just back to the higher postpaid churn and obviously it looks like a function of just being a little bit more disciplined on promotions and the migration. Just wondering in terms of your lens here just how long this postpaid churn will remain elevated just given all the moving parts that go into that metric?

Guy Laurence - Rogers Communications Inc. - President and CEO

It is Guy here. I think it is going to stay like this for a couple of quarters to be honest because as we continue to push into this and then it has the -- it would be like the impact if some of the lower value customers leave. But again, I think I've said on this call several times, this metric is such a crude metric because it is a volume metric not a value metric but of course those on the call should be worried about value not volume.

Drew McReynolds - RBC Capital Markets - Analyst

Okay, thank you.

Operator

Simon Flannery, Morgan Stanley.

Simon Flannery - Morgan Stanley - Analyst

Thank you very much. Good morning. Guy, can you talk a little bit about the reorganization into the consumer and business side? You mentioned some of your appointments. What stage are we at in terms of reorganizing along those lines and when can we start to expect some financial disclosure around that? Thanks.

Guy Laurence - Rogers Communications Inc. - President and CEO

In terms of the actual organization, the consumer team is fully stood up. We haven't appointed a consumer president yet but Rob Bruce continues in the post and is doing a good job. So they are fully functioning.

On the enterprise side, we are largely complete on the reorganization and we just announced that Nitin Kawale will be joining us from Cisco at the latter part of this year. However, we have not sat on our laurels. Larry Baldachin, who has been running the team in the interim, has actually done an excellent job of preparing next year's budget. So I would say the enterprise team is behind consumer by virtue of the fact that we have to carve it out from three different parts of the business to create the business unit whereas consumer was easier to stand up as a unit.

And I think that you have seen the NHL launch which is primarily a consumer play although it is active in enterprise and you will see more announcements from the consumer team this side of Christmas in terms of commercial activity which will sort of further prove that they have got significant momentum.

Simon Flannery - Morgan Stanley - Analyst

Great. And on any financials?



Tony Staffieri - Rogers Communications Inc. - CFO

In terms of the financial disclosures as we head into next year, our current thinking is that we will continue to report on the fundamentals that you see today so that we provide you a basis for comparison to the way the others in the industry are reporting. We will start to introduce new metrics that will get at some of the value items that we talk about and then with respect to our segments, some of these selected metrics underneath could be helpful to you and we will start to introduce those in 2015.

Operator

Jeff Fan, Scotiabank.

Jeff Fan - Scotiabank - Analyst

Thanks, good morning. Just a question on your guidance being at the lower end. Can you just clarify what the factors are that drove that? Is it all related to I guess your expectation for the iPhone? And I guess a related question to the iPhone volume is given that you have a lot of iPhone subs, more than your peers, I am wondering if there is a risk that there could be higher churn related to some of the higher end customers that are looking for iPhones given supply constraints, etc.? So if you can comment on that, that would be great.

Tony Staffieri - Rogers Communications Inc. - CFO

In respect to the full-year outlook, the single biggest cost item is the net subsidy in our Wireless business. The iPhone 6, it's early days in the fourth quarter and so we will see how that unfolds and it is going to be toggled with supply that we get from Apple. That is the single biggest item.

As we look to revenue and costs across the rest of the business, we have a good handle on where that is going to land and so that is the only item that gives us if I could say any anxiety with respect to where we end up. But as I reiterated before, it is somewhat a one-time item and somewhat of a good thing.

You should also think about it as in large respects the volumes on iPhone is going to deal with what we've talked about before as the double cohort issue and so as many of our subscribers are sitting towards the end of their contract terms, many are choosing to pay the flex tab amount and opt into a new contract to get the new iPhone. And so I wouldn't be too concerned about where we land with respect to the year if it is only impacted by iPhone volumes.

Guy Laurence - Rogers Communications Inc. - President and CEO

It is fair to say also that the volumes we are getting of iPhones are quite healthy. We have a good relationship with Apple and they respect the base of Apple customers that we have and therefore, we have got good supply. I don't anticipate losing high-value customers. Just to reiterate, the small uptick in churn we have had is low-value customers, not high-value customers.

Operator

Philip Huang, Barclays.

Philip Huang - Barclays Capital - Analyst

Thanks, good morning. I was wondering if you could talk a bit about the adoption of LTE, maybe roughly what percentage of the postpaid base is now already on LTE? And are you seeing an acceleration in the adoption as a result of the current iPhone upgrade cycle particularly with 5c and 5s dropping in prices? And also finally, if you could maybe give us some color around the average ARPU for LTE versus non-LTE smartphone users?



Tony Staffieri - Rogers Communications Inc. - CFO

I will start with a couple of those items. So in terms of LTE, POPs covered now sits at 79% for LTE, up from 77% in the second quarter. If we were to look at number of LTE postpaid subscribers, it is now sitting at almost 50%, actually 47% of total postpaid base and that trend is growing at about 5 points per quarter. So that will give you a sense as to the growth that we are seeing in LTE.

With respect to ARPU, we don't disclose that but to be helpful I can tell you that when you look at data usage, it is evenly split right now between LTE and HSPA in volume but that trend is also shifting at a rate of about 3 to 4 points per quarter.

And then, Phil, I think I had a last part of your question I didn't get.

Philip Huang - Barclays Capital - Analyst

Yes, I was wondering if -- I think you mentioned sort of 5% per quarter. Was just wondering whether you saw an acceleration as a result of the current iPhone upgrade cycle and whether we can kind of see this follow-on lift to ARPU as a result into the next several quarters as a result of the acceleration that is driven by the current iPhone upgrade cycle?

Guy Laurence - Rogers Communications Inc. - President and CEO

It is Guy here. I think it is probably a little bit early to empirically put our hands around that. What I would say is that I can see that coming though but it would probably be a combination of the new iPhone and NHL. You shouldn't forget the impact of NHL that is happening when over 1 million people download the app.

Philip Huang - Barclays Capital - Analyst

Got it. Thanks very much.

Operator

Adam Shine, National Bank Financial.

Adam Shine - National Bank Financial - Analyst

Thanks a lot. Good morning. Guy, obviously we are seeing more rational behavior as you say let's call it more disciplined in the context of wireless and clearly with that comes the elevated churn and obviously a turnaround in blended ARPU also finally. Can you talk about some of the other strategies that we should be looking at in the context of wireless moving forward? And also any commentary you could provide us in terms of early traction in terms of how you are exploiting the NHL contract in wireless?

Guy Laurence - Rogers Communications Inc. - President and CEO

I think to the second point on the NHL, I would pretty much be repeating myself. I think that we -- remember, we started planning this way back in January and we had a very clear view of how we wanted to first of all on our Media side create and innovate through Sportsnet in terms of how the linear broadcast was positioned. And I think we have done that successfully and to some critical acclaim.

But we also wanted to create an over the top play for mobile that was very separate and that is what you see with the Game Center Live app and it has been very interesting getting the real time stats on how people are using it because some are using it to stream the entire game and some are using it as a second screen. So what they are doing is basically watching the linear feed on Sportsnet and then watching the special camera angles on tablets and mobile phones, which is exactly how we set it up.



What we are now seeing is how their behaviors, what kind of content they like. They like the mashups for instance at the game showing the special camera angles so we are producing more of those on Game Plus and so on and so forth.

So we don't know exactly how this is going to net out because it is groundbreaking. No one has ever done it the way that we have done it but what I would say is that the adoption rates per day as they start to climb are a very good and healthy indication that customers like it.

In terms of what you might see going forward, you are going to see a number of things coming out. You know about shomi, which is obviously primarily going to benefit our Cable business but we have a number of other announcements coming out which we can't disclose on this call but they will be out shortly which I think will excite you.

Adam Shine - National Bank Financial - Analyst

Okay. Thank you.

Operator

Glen Campbell, Bank of America Merrill Lynch.

Glen Campbell - BofA Merrill Lynch - Analyst

Yes, thanks very much. My question is on wireless upgrade rates. With the iPhone 6, could you give us a sense of whether this upgrade cycle feels more like say the heavy upgrade cycle we saw with the 5 or more like the 5s or maybe different than the two?

And then as you think about that and look forward into 2015, do you have a sense as to how many people are likely to be on three-year contracts when you get to that cut over in midyear where the two-year contracts start to expire?

Tony Staffieri - Rogers Communications Inc. - CFO

Glen, I will start with the latter part of your question. So if we think about -- I think what you are really getting at is the double cohort issue and let me give you some stats that I think will be helpful around that.

We have always talked about what I would describe as the theoretical double cohort being much greater than it is in actual practice. A couple of things for you to think about. One is Fido has always had two-year contracts at least for the last several years and so a significant part of our base has already been on two-year contracts. As well, the limitation to two-year contracts doesn't include the enterprise space and so our enterprise customers are still under three-year contracts and may continue to do so going forward.

And then finally, we have the FLEXtab program under which consumers can pay out the unamortized portion of their phone subsidy and we have consistently found that consumers are upgrading prior to the end of their contract term.

At the end of the third quarter, about one-third of our consumer postpaid base were still on three-year terms and so as we continue to go through what we would describe as a fairly heavy upgrade cycle, you can expect that to come down. And so hopefully that will help you in your thinking about the impact of the double cohort into 2015.

In terms of number of HUPs during the quarter, 96% of our HUPs were smartphones in the quarter and HUPs overall were up 19% in the third quarter.

Glen Campbell - BofA Merrill Lynch - Analyst

Okay, that is great. Early in Q4, is your sense that the flow will be sort of heavy like the 5 or lighter like the 5s?



Tony Staffieri - Rogers Communications Inc. - CFO

What we are seeing is it is like the 5 so certainly more than the 5s but more along the lines of what we saw in the 5.

Guy Laurence - Rogers Communications Inc. - President and CEO

I think the change of form factor and the fact that you have got two sizes and all the rest of it, it is -- I have got the 6+. I have to say I think it is a very good upgrade on the 5 and therefore it is likely to attract demand commensurate with what we saw when the 5 came along rather than the 5s.

Glen Campbell - BofA Merrill Lynch - Analyst

Okay, that is very helpful. Thank you.

Operator

Vince Valentini, TD Securities.

Vince Valentini - TD Securities - Analyst

Thanks very much. On the Cable side, the pricing pressure and promotional pressure you talked about, can you parse that down a little bit, is that sort of just a direct battle with Bell and them being aggressive or is there some over the top impact there where you are feeling the need to discount to people in order to keep them on cable packages?

Tony Staffieri - Rogers Communications Inc. - CFO

Vince, a couple of things going on there. The type of move from volume to value that you saw on the Wireless side, we are starting to implement that discipline on the Cable side of it and so much like you see in Wireless when customers are coming due on retention discounts or promotional offers, we are being very disciplined in how we apply those going forward and so some of those customers again in the lower value chain are deciding to move and that is okay given our focus on high-value customers.

And so that is what you are starting to see overall on that side of it. If you were to look at ARPU as a good indication both in video as well as Internet, ARPUs continue to increase and so I think it is a good proof point to our focus on the value customers on that side of it.

Operator

Richard Choe, JPMorgan.

Richard Choe - JPMorgan - Analyst

Given the improvements in postpaid ARPU throughout the year, could we see ARPU growth going forward now that we have lapped through a lot of the issues?

Tony Staffieri - Rogers Communications Inc. - CFO

It is Tony. In terms of postpaid ARPU, there are still a number of things that are going up and down. We continue to focus on the fundamentals as I have talked about exclusive of roaming. Roaming will continue to have an impact over the next several quarters. We are going to see the impact of international roaming coming through as well but I have quantified as I said in my opening remarks, total revenue inbound and outbound roaming is now down to 8% so the impact will be much more moderated on a go-forward basis. But you will still continue to see some vibration in the postpaid ARPUs going forward.



Richard Choe - JPMorgan - Analyst

Great, thank you.

Operator

Greg MacDonald, Macquarie Canada.

Greg MacDonald - Macquarie Capital Markets - Analyst

Thanks. Good morning, guys. The question I have is on the Let's Talk process and I guess I'd put it this way. Some would suggest that if the CRTC forces unbundling that may result in a negative ARPU maybe potential near-term shock maybe not lasting but at least near-term as some subscribers choose not to take sports. I wonder if you agree with that that risk is realistic and if not, if you can give us some indication of what sort of the counter arguments are?

Guy Laurence - Rogers Communications Inc. - President and CEO

It is Guy here. I think the Let's Talk TV file is quite complex because there is a lot of variables that the CRTC could decide to tackle or leave alone. So I think at this stage it is a bit premature to forecast it. You are right, in one scenario what you have described could happen but I think the problem is it is not clear that is where we are going to end up with the CRTC. So I think my advice on this whole file quite frankly is to hold fire because there are too many variables, it is too easy to spook yourself or to get too enthusiastic that it is not going to affect us at all and I don't think we really know.

However what I would say is we see ourselves as relatively well positioned because vis-a-vis our competitors at least we think we are unlikely to be affected to the same degree as they potentially could be. But again, we don't know until we get the final results.

So just to summarize, my advice is to hold fire on your assumptions in this area until we get more clarity because it is too easy to spook yourself.

Greg MacDonald - Macquarie Capital Markets - Analyst

Okay. Thanks, Guy.

Operator

Dvai Ghose, Genuity Capital Markets.

Dvai Ghose - Canaccord Genuity - Analyst

Thanks very much. Good morning. A couple of related questions on your NHL strategy. It was good to hear that you expect about \$100 million of revenue in Q4. I assume it is seasonal, mainly Q4, Q1 given the hockey season but does it go up in Q1 as you start charging your own customers for the app?

And on a related point as you know ironic as it may seem that Bell has taken you to the CRTC with a complaint that you are breaking vertical integration rules on that app, do you think you will win given the CRTC's dislike of vertical integration? And in the chance that you lose, how impactful would that be to your strategy?

Guy Laurence - Rogers Communications Inc. - President and CEO

Tony, do you want to talk about the Media revenues first and then I will tackle the Wireless side?



Tony Staffieri - Rogers Communications Inc. - CFO

Sure, Dvai. So in terms of the revenue that you would see on the NHL, as you said the fourth quarter is sort of the beginning of it and you will see a full quarter impact as we head into Q1. Charging for Game Center Live, that will certainly be an impact to revenue but I think the majority of it will relate to the advertising revenue that we expect in the first quarter. Then it continues on into the second quarter and in fact it is the more higher-valued playoff season during that period of time. So that is how you should expect the skew, Dvai, over the next couple of quarters.

Guy Laurence - Rogers Communications Inc. - President and CEO

And then turning to the Wireless side, Dvai, we are not seeking to get a lot of revenue quite frankly from the Game Center Live product. Our strategy is to benefit our higher-valued customers by giving to them free of charge for the rest of the season.

The way to think about this is a bit like an airline. We have got an airplane, the equivalent to our network, and what we have got is we have got customers in coach and customers in business class and if you have ever flown business class which, Dvai, I know you have, then you will know that you get better quality food, you get a bigger seat and you get treated better. And that is the kind of philosophy that we are taking with our customers. We are giving the chance for our business customers to get a better package from us in terms of things like Game Center Live. We are not stopping our coach customers if they want to upgrade but we are actually providing a two-tiered service.

With respect to cry baby Bell, what can I say? From what I understand when they presented their pitch to the NHL to win the rights, they didn't have an innovation component where as we had a very high innovation component and one can only theorize that that is maybe why they didn't win the deal in the first place. Having lost it, here they are complaining and trying to stifle innovation in hockey instead of actually applauding it which is what we see from pretty much everybody else. And then they have taken this rather kind of puerile attitude of filing a complaint.

Obviously we don't believe that we have transgressed any rules and we will continue to focus on delivering innovation for consumers and not fighting little petty fights such as this. I don't think they will win. Let's see.

Dvai Ghose - Canaccord Genuity - Analyst

Thanks very much.

Operator

Tim Casey, BMO Capital Markets.

Tim Casey - BMO Capital Markets - Analyst

Could you talk a little bit about the outlook for the financials on Cable given all these moving parts and your move from volume to value? We have seen the turn in ARPU already at Wireless. The trends have been improving at Cable on the ARPU side or certainly on the broadband side. But how should we think about the revenue and margin implications of all the spending that is going on? And as you mentioned, you have invested in customer facing innovation and whatnot? Thanks.

Tony Staffieri - Rogers Communications Inc. - CFO

Tim, it is Tony. I will start off on the question. I think one of the key things that is worth focusing on is the shift we are seeing from what I would describe as conventional video to Internet as the primary household deterrent. So a lot of the metrics for the Cable side of the business have traditionally focused on video and what we are focused on and is much more important is the household. And so while we are losing specific video subscribers, we are actually gaining Internet and Internet households.

In the next quarter we will share with you household statistics which we think are more meaningful so what we are focusing on is winning the household and maximizing the ARPA from the particular household. If you were to look at the product split between Internet and video today, our gross margin on Internet is close to



100% because we don't have the content cost that we see in video and so more of our gross margin in the Cable business today comes from Internet and that continues to grow at a faster pace than we are seeing the video part of the business decline.

Operator

Maher Yaghi, Desjardins.

Maher Yaghi - Desjardins Securities - Analyst

I wanted to ask you on the ARPU and the Wireless, you mentioned that the churn has increased because of your lower-value customers are migrating somewhere else. But can you quantify the impact on the ARPU because as we have seen the improving trend in ARPU with the year-on-year decline coming smaller and smaller, how much of that is due to that benefit of lower-value customers churning somewhere else?

Tony Staffieri - Rogers Communications Inc. - CFO

It is Tony. A couple of dynamics that are obviously at play there. We have what I would describe the profiling that we are doing now in terms of focusing on higher value. As we look to ARPU in versus ARPU out, I can tell you that differential. I won't disclose the specifics but I can tell you that differential has more than doubled year on year in terms of that difference in value. And so that is a pretty strong proof point that that is moving in the right direction.

As well, we are having good success with Share Everything so we are seeing good demand for it. When you look at our Rogers postpaid base, more than half of our gross adds are coming in on Share Everything which generally have strong ARPUs and very good churn rates associated with them. So that is moving forward as well and as those customers continue to move up tier to bigger data buckets, then we will start to see that flow through. So those are sort of the primary dynamics that we are seeing on Wireless ARPU.

Again coming back to a similar comment as I made on the Cable side, what is more relevant here is ARPA particularly on Share Everything and you could expect to see disclosure on that coming to you in the first quarter of 2015.

Maher Yaghi - Desjardins Securities - Analyst

Okay, thank you.

Operator

Rob Goff, Euro Pacific.

Rob Goff - Euro Pacific Capital - Analyst

Thanks for taking my question, and Tony, I'm very pleased to hear about the ARPA disclosure forthcoming.

Could you give us any further color that is available with respect to the adoption of those share plans, where they may be trending, what the upticks would be as a percentage of your overall base? And also could you address the impact of tablets and how that may be building?

Tony Staffieri - Rogers Communications Inc. - CFO

Thanks for the question, Rob. In terms of the Share Everything, as I said in terms of the gross adds on the Rogers side, more than half, to be more precise 53% of our gross adds are coming in on Share Everything of the Rogers postpaid base. If you were to look at our total postpaid base, 16% is on Share Everything and that is including Rogers and Fido and keep in mind Share Everything is only available on Rogers today and so that is how we are doing in terms of Share Everything.

I think you had a second part to the question relating to tablets.

Rob Goff - Euro Pacific Capital - Analyst

Yes.

Tony Staffieri - Rogers Communications Inc. - CFO

Continues to be stable, growing but small part of our overall customer base. When we look at the metrics for it, ARPU on tablets slowly increasing. And in terms of churn, that has also been stable to coming down nicely on the tablet side but it continues to be a very small part of our overall volumes.

Rob Goff - Euro Pacific Capital - Analyst

Awesome. Thank you very much.

Guy Laurence - Rogers Communications Inc. - President and CEO

Just pulling back in general and looking at these results in the round, I think you have got to probably remember some of the comments I made a couple of quarters ago about the trajectory we are on. What I said is the figures are not going to be spectacular for a while and we are going to have vibrations in the figures and we have good vibrations and we have bad vibrations. I'm sure there is a song in there somewhere.

But the point is we are making considerable progress within the Company. We have completed the reorganization, we've got far more discipline into how we act. What you are actually seeing not in Q3 but in the Q4, is the first of the commercial activities such as NHL now coming into the marketplace and over the coming weeks, you are going to see more of those. I think I would encourage you to look at this in the round rather than looking at little spikes in the odd figure here or there because I saw some of the headlines this morning which I thought were a little bit sensationalist and not pointing out anyone in particular, Dvai, but I really think that to be honest, these are little vibrations here and there and that actually we are in a good place right now.

Bruce, back to you.

Bruce Mann - Rogers Communications Inc. - VP of IR

First of all, we want to thank everybody for joining us this morning and we know it is busy. We've got a lot of companies reporting here all at once so we appreciate your interest and your support and your time. If you had questions that weren't answered on the call either directly or in the background, if you'd call myself or one of my colleagues, Dan or Bruce, and all of our contact information is in the release this morning.

Thank you for joining us and have a good rest of the week. Thanks.

Operator

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



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