

19-Apr-2018

Rogers Communications, Inc. (RCI)

Q1 2018 Earnings Call

CORPORATE PARTICIPANTS

Glenn Brandt

Senior Vice President, Corporate Development, Investor Relations and Treasury, Rogers Communications Inc.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

OTHER PARTICIPANTS

Vince Valentini

Analyst, TD Securities, Inc.

Jeffrey Fan

Analyst, Scotia Capital, Inc.

David Barden

Analyst, Bank of America - Merrill Lynch

Tim Casey

Analyst, BMO Capital Markets (Canada)

Aravinda Galappathige

Analyst, Canaccord Genuity Corp.

Maher Yaghi

Analyst, Desjardins Securities, Inc.

Drew McReynolds

Analyst, RBC Dominion Securities, Inc.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Phillip Huang

Analyst, Barclays Capital Canada, Inc.

Richard Y. Choe

Analyst, JPMorgan Securities LLC

David McFadgen

Analyst, Cormark Securities, Inc.

David P. Miller

Secretary, Chief Legal & Corporate Affairs Officer, Rogers Communications, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Rogers Communications Q1 2018 Results Analyst Teleconference. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session and instructions will be provided at that time for you to queue up for questions. [Operator Instructions] I would like to remind everyone that this conference call is being recorded.

I will now turn the conference over to Mr. Glenn Brandt with the Rogers Communications management team. Please go ahead.

Glenn Brandt

Senior Vice President, Corporate Development, Investor Relations and Treasury, Rogers Communications Inc.

Good afternoon, everyone. Thank you for joining us. I'm here with our President and Chief Executive Officer, Joe Natale; and our Chief Financial Officer, Tony Staffieri. Today's discussion will include estimates and other forward looking information from which our actual results could differ. Please review the cautionary language in today's earnings report and in our 2017 Annual Report regarding the various factors, assumptions and risks that could cause our actual results to differ.

And with that, let me turn it over to Joe to begin.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

Thank you, Glenn. Good afternoon, everyone, and I'm pleased to share our first quarter results with you.

Let me start with our financials, which reflects our results before the new IFRS standard. Tony will then walk through our results using the new standard. In Q1 we delivered another strong quarter with total service revenue growth of 6% and adjusted EBITDA growth of 11%. These results were bolstered by strong performance in both Wireless and Cable.

In Wireless, we delivered exceptional financial and operating results. In Q1, we attracted the highest number of postpaid net additions since 2009 and we delivered the best Q1 postpaid churn in 15 years. We also delivered strong growth in ARPU. In Cable, we reported solid financial and operating results. We grew total service unit net additions by 12,000 and our world-class Internet service continue to fuel our growth as data demand grows in a healthy pace each year. In Media, we saw strong growth in revenue and profit driven primarily by higher sports-related revenue. Overall, a rock solid start to the year.

As a management team, it is our goal to deliver consistent and sustained performance across both financial and operating metrics. We are steadfastly focused on our core business and driving the fundamentals that deliver shareholder value. Execution discipline and well-timed investments are key to our success.

On this front, we continue to make great headway on our 4.5G and 5G network plans. Earlier this week, we announced plans to test 5G across multiple cities and frequencies. We also announced Ericsson as our 5G partner, the partner of choice for North America's largest carriers. Day-to-day we are densifying our national network adding more backhaul, macro and small cells. We're upgrading our 4.5G network to be 5G-ready across

the country. We've always invested to be at the forefront of commercially-ready technology and we're investing again.

In Cable, our Internet service continues to deliver well ahead of consumer demand. We already offer 1-gigabit speeds to all of our customers today. And our DOCSIS roadmap will support upload and download speeds up to 10 gigabits per second across our entire Cable footprint. This is an evolutionary transition and a success-based investment. Long-term, we see terrific growth in Internet given the proliferation of devices in the home.

We continue to make steady progress with Ignite TV, our IPTV service license from Comcast. Last month, we completed our employee trial and launched Ignite TV to all employees in our Ontario Cable footprint. 3,000 frontline team members are now trained to support the service as we roll it out. We continue to pressure test the platform and the end to end customer experience. We remain on track for our full customer launch later this year.

The Ignite TV will deliver a truly premium service with the most advanced features, including a constantly evolving product roadmap. At launch, the core of the service is the voice remote that integrates linear and over-the-top streaming services such as Netflix and YouTube into one viewing experience. And its IP platform will integrate real-time data such as sports scores, delivering immersive experience all on one screen.

Behind the X1 platform are thousands of software developers and software updates, updates that can be rapidly deployed on a daily basis for continuous innovation. It would be economically impossible to replicate this rich product roadmap and set of services here in Canada. I believe this will be the best service for cable subscribers in Canada and we're excited to bring it to our customers. But Ignite TV is just the beginning, X1 will deliver a roadmap that connects monitors and secures everything in the home. We truly have a competitive advantage in Cable with our world-leading Internet and our Connected Home service.

Underlying all this is our relentless focus on the customer. We are quietly chipping away at root cause issues, knocking them off our list one by one. We're doing this in a very methodical and prioritized manner. This is foundational work that will have a transformative impact over time. To-date we're making some good progress. For example, we continue to reduce Wireless churn. We've seen a double-digit reduction in customer calls, while growing digital adoption has steady pace. I fundamentally believe that customer experience improvements and margin expansion go hand-in-hand.

Before I turn it over to Tony, I'd like to thank our entire team for their incredible dedication and commitment in delivering a strong Q1. Tony, over to you.

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Thank you, Joe, and good afternoon, everyone. We're truly pleased with our performance this quarter. Our financial results reflect the continued momentum we exhibited throughout 2017, while also delivering solid key operational metrics.

For this first quarter ended, you'll see the implementation of a few changes to our accounting policies and disclosures, all as we had previously communicated to you. Firstly, we commenced reporting our financials with the adoption of the IFRS 15 accounting standard and have provided comparative growth rates for the relevant figures by restating the 2017 figures on a like-for-like basis. And to ease the transition to this new accounting standard, we've also disclosed our figures under the previous accounting standards again with consistent year-on-year comparisons. The new IFRS 15 accounting standard only impacts our Wireless and consolidated results.

And as previously communicated, we now report adjusted EBITDA, which now includes stock-based compensation expense instead of adjusted operating profit, and you will recall our guidance for 2018 was based on adjusted EBITDA. Finally, our Cable segment is now inclusive of Rogers Business Solutions and our Smart Home Monitoring business and prior period comparisons were adjusted accordingly.

Turning now to our consolidated results, we posted overall service revenue growth of 6% and adjusted EBITDA growth of 11% using our previous accounting standard. Under IFRS 15 accounting, this translated to service revenue growth of 5% and adjusted EBITDA growth of 14%. These differences in growth rates relate to our Wireless business, which I'll explain more fully in a moment.

Our consolidated adjusted EBITDA growth rates reflect continued meaningful margin expansion as well, 170 basis points of expansion when measured under the previous accounting standard despite increased investments in key areas such as customer handsets. Our cost playbook delivered meaningful offset in cost reductions. Under IFRS 15 accounting, our margin expansion is 200 basis points in the first quarter.

A year ago we said we would deliver cumulative margin expansion of 100 basis points to 200 basis points in 2018 over 2016 in both Wireless and Cable. We made great progress on this front in 2017 and we will continue to do so this year. You may see some lumpiness during the 2018 quarters, but we remain committed to our targets for the full year.

Turning now to our Wireless business. Utilizing our prior accounting standards, we reported service revenue growth of 7% and adjusted EBITDA growth of 9%. Here, our revenue increase reflected solid growth in our subscriber base but importantly continued strong growth in blended ARPU, which was 5% this quarter. Our adjusted EBITDA growth in Wireless reflected margin expansion of 80 basis points under the previous accounting standards. Despite increasing spending on handset subsidies by \$85 million year-over-year, other operating costs were reduced by 5% to deliver a healthy flow through rate of 57%.

In applying IFRS 15 to our Wireless business, service revenue grew 5% in the quarter. This compares to the 7% I just mentioned using the previous accounting standard, slightly lower growth rate as the recovery of the handset subsidy piece of our monthly bill, is in essence, removed from our service revenue. As a result of this change to service revenue, ARPU is otherwise less than what it would have been under the previous standard and not reflective of the amount to be paid by the customer each month.

To assist in understanding the underlying economics, we are now disclosing average billings per user, or ABPU, which approximates ARPU under the previous accounting standard and reflects the same growth rate year-on-year.

On adjusted EBITDA using IFRS 15, our Wireless business grew 13%, higher than the 9% under the previous accounting rules as now embedded equipment revenue for the full contract term is approved upfront on signing of the contract, thereby increasing total revenues and adjusted EBITDA.

Operating expenses under IFRS 15 are higher than under the prior accounting basis as we recognize more bad debt expense upfront associated with a higher upfront revenue. Slightly offsetting this though, commission expenses are now deferred and amortized over the contract term rather than expenses incurred under the prior accounting basis.

Finally, in addition to the strong revenues and profitability metrics under both accounting standards, we delivered 95,000 postpaid net subscriber additions in the quarter, reflecting both the highest level of first quarter postpaid gross additions and the lowest postpaid churn rates in 15 years.

Turning to Cable, we grew Cable revenue by 1% and adjusted EBITDA by 4%. Driving these results is Internet revenue growth of 7% reflecting the expanding size of the Internet market, but also continued demand for increased speed, and, as a result, increase data usage by our customers. The percentage of our residential, Internet-based on speeds of at least 100 megabits per second has reached 56% compared with 48% last year. The corresponding ARPU growth we see with this demand has been supported by our ability to offer Ignite Gigabit Internet to our entire footprint supporting real-time healthy economics for continued network investments.

Despite a heightened level of competition this quarter, we attracted 26,000 internet net additions. We're focused on the long-term economics of our business and look to balance subscriber growth while remaining profitable. And in Cable, I'm pleased to report that the numbers are the same under both old accounting and IFRS 15.

In Media, we delivered excellent results across both revenue and adjusted EBITDA. Revenue grew across our entire portfolio with the exception of publishing and sports continue to lead this growth. Our revenue included another distribution for Major League Baseball in respect of the sale of certain digital assets. Even without this distribution though, our Media division delivered healthy revenue and adjusted EBITDA growth of 4% and 47% respectively. And here too, I'm pleased to tell you the Media results are the same under IFRS 15 and the previous accounting policy.

I'll now go through some additional details on our financial results. Free cash flow grew 18% this quarter, despite the impact of increased CapEx. We previously communicated that we would increase the investments in our Wireless and Cable networks, and this was reflected in our capital spending this quarter. We continue to prepare for 5G in Wireless and further increase speed and capacity of our fiber coax networking cable.

All of the milestones we've set for ourselves in 2018 on the network investment front will be accomplished within the CapEx guidance we previously provided for the year.

With respect to our financial flexibility, strong adjusted EBITDA help generate operating cash flow of \$885 million in the quarter, which supported dividend payments of \$247 million this quarter. Significantly, we ended the quarter with a debt leverage ratio of 2.7 compared to 3.0 a year ago, which was driven by higher adjusted EBITDA and lower net debt.

As well, you may have noticed that we announced today that the Toronto Stock Exchange has accepted our notice of intention to commence a normal course issuer bid. To be clear, we remain focused on investing in the fundamentals of our business to continue to drive long-term sustainable growth. However, we've initiated this normal course issuer bid application to provide us the capability to be opportunistic if broad equity market conditions and/or share price volatility warrants.

Finally, thank you for your patience as I crawl through the impact of IFRS 15 (sic) [IFRS 15] (15:02) on our Wireless and consolidated figures, but we thought it's important that you fully understand the changes and its implications. Further, our guidance ranges as we previously communicated, remain the same for both IFRS 15 and the previous accounting standard. It's worth highlighting that IFRS 15 hasn't changed the underlying economics of our business. You'll note that free cash flow doesn't change and the fundamental drivers of customer lifetime values don't change and neither will our focus.

This quarter was an excellent start to the year and set the right tone for us to meet our strong growth targets. We're focused on sustainable growth, the right mix of customers in our business and continually refining our cost structure while improving the customer experience.

With that, I'll ask the operator to open the lines for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. [Operator Instructions] We'll take the first question from the line of Vince Valentini with TD Securities Please go ahead.

Vince Valentini
Analyst, TD Securities, Inc.

Q

Yeah. Thanks very much. Great quarter, guys. Congratulations. Can I just try to understand your guidance for the year? You've obviously been trending well ahead of 5% to 7% EBITDA growth here in the first quarter. I'm not sure if you had contemplated such a big payment from Major League Baseball, when you gave us your guidance for the year. Do you think that you're just being conservative to really [ph] need to (16:36) change things or should we really be adjusting our models to get down to no higher than 7% EBITDA growth for the full year?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Vince, this is Tony. I'll reiterate our guidance for the full year, it's still our guidance. In our plans as we thought about the seasonality in the quarters, delivery of Q1 is in line with our expectations. To be specific on the Major League Baseball distribution, we were aware of it at the time we came up with full-year guidance and that was always contemplated within that.

Vince Valentini
Analyst, TD Securities, Inc.

Q

Okay. Thanks, guys.

Operator: We'll now take the next question from the line of Jeff Fan with Scotiabank. Please go ahead.

Jeffrey Fan
Analyst, Scotia Capital, Inc.

Q

Thanks. Good afternoon, and great quarter. What a big difference in terms of the Wireless metrics that we saw this quarter versus last quarter, I mean, even with the seasonality, 95,000 was it very impressive? And when we break it down, I guess, can you talk a little bit about what you saw on the quarter in terms of what changed, maybe some comparison and contrasting versus what you saw last quarter, specifically around gross additions? Looks like gross adds was up about 10% this quarter, and also all the initiatives with respect to churn and whether that you think can be sustainable through the rest of the year. Thanks.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Sure. Jeff, it's Joe. I'll take that question. So, first of all, I would say that we continue to see a healthy growth in the marketplace. Good clip, in fact, overall. Q4 had about a 5% growth in the market. We'll see in the fullness of all the results being released, what it looks like in Q1 from our perspective, looked like another quarter of a good healthy growth to the marketplace. But, you're right around gross. We did well on gross. It's a record gross quarter since 15 years ago, up 10% and also a good mix within that gross. A good mix of premium smartphone additions. And even though we had tablet additions, a lot of them were part of an overall share everything plan, which actually helps to bolster ARPA at the same time creates better lifetime value with better churn improvement.

The ARPU that we saw coming in in the quarter was accretive to the overall base of the business, so that's another healthy indicator that we like to look at. But to your comment, churn is a real story in Q1. We're very pleased with continuous trajectory on churn improvement that we posted on a sustainable basis. I do think it is sustainable. If you look at what we've been focused, we've been focusing on doing a better job of managing our base of customers. We're really kind of looking through our base and looking at retention, proactive retention opportunities, that's one.

Second thing is just really working hard to invest in improving our call center with respect to capabilities or resources, do a better job of supporting our customers through our call center. We've invested in digital adoption, and we're seeing a better return on that front as a whole. So, these are all systemic investments in churn management that I think will continue to pay dividends for us.

There's nothing that's sort of episodic or unique to Q1, but a muscle that we continue to build for the organization.

Jeffrey Fan

Analyst, Scotia Capital, Inc.

Q

Thanks. And maybe just a very quick follow-up. The government contract with respect to the revenue contribution from that contract, how should we think about the timing of when some of that is going to come out?

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Jeff, the timing of that contract hasn't changed from what we communicated last quarter. It'll be over several quarters we expect this year. And so, it'll continue to come out. You saw subscribers and revenue come out in Q4 and continued into Q1. And so, it'll continue to be an event for, we expect much of 2018.

Jeffrey Fan

Analyst, Scotia Capital, Inc.

Q

Okay, great. Thank you.

Operator: We'll now take our next question from the line of David Barden with Bank of America. Please go ahead.

David Barden

Analyst, Bank of America - Merrill Lynch

Q

Hey, guys. Thanks for taking the questions. Yeah. Congrats on a really good quarter. I guess just first, Joe, on kind of the strength in postpaid and maybe the relative weakness in prepaid, I was just wondering if there's any kind of initiative as you talk about managing the mix, if you guys were doing anything internally to the business to try to realign the customers within their prepaid, postpaid buckets or if that's more of an organic change in the business?

And then the second was, it looks like in about the middle of February, we saw a fairly uniform kind of price hike in some of the postpaid plan across the market, which is kind of the reverse of some of the promotions we saw last quarter. Could you kind of talk about how you see the 2Q period with Easter and Mother's Day and Father's Day kind of evolving from a competitive front? Do you think we hold these prices or is it going to be another competitive wave? What should we expect the cadence of the competitive climate will be this quarter? Thanks.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Sure, David. On your first question around postpaid versus prepaid, as I said, we're very pleased with our postpaid result in the quarter. For the prepaid, Q1 is a seasonally slow period for prepaid additions historically. We're minus 60 this year and minus 42 of last year. Please bear in mind that prepaid for us is a very small part of our business, roughly about 4% of our Wireless revenue as a whole.

We did proactively convert prepaid customers to postpaid customers. It's part of our playbook with respect to base management. There're many kinds of prepaid customers. Some of them are people that are devoted to prepaid for some of its features. Some of them are more a transient people that come into the country on vacation, holidays, students, et cetera that come and go. And then there's a group that for cost control or credit scoring issues come into prepaid, and over time are great candidates for graduation to postpaid. And that's something we've done a better job of focusing on last little while. And, yes, part of our postpaid metrics in Q1 reflects a better job. It's not the most material fees of the postpaid results, but it certainly is an increasing part of the story in the pre to post conversion.

With respect to the competitive intensity of the quarter is coming ahead of us. It's very hard to predict. I mean, if I had a crystal ball to what's going to happen in the quarter ahead, I would try to reflect it, I don't. I do think that that there is an era of pricing rationality in the marketplace that we're seeing. Certainly, we intend to maintain a disciplined focus with respect to pricing in the market to make sure we continue to manage margins and manage the economic return from our investments. And therefore, we believe that's an important part of the approach that we will take. But in terms of what will happen specifically around Mother's Day or Father's Day or any event, we will have to wait and see. Traditionally, Q2 has not been the promotionally active quarter. It's a more relegated sort of, I'd say, Q4 first and then back-to-school second. So, but we'll see, time will tell. I hope that answers your question, David.

David Barden

Analyst, Bank of America - Merrill Lynch

Q

Yeah. No. As much as we can, that's great. I appreciate it. And then, if I could just one last follow-up with just kind of your perspective on some of the regulatory conclusions we saw coming out of Ian Scott and the CRTC. Relatively recently, we had the 600-megahertz auction, not surprising. We had the wholesale rates. And then, we had this kind of affordability initiative on the broadband plan. So, if you could kind of just kind of give us your sense of what's the impact of those generally.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Sure. Let me just take them one at a time quickly. On the 600-megahertz auction, as I said publicly, we're disappointed with the amount of satisfied with 30-megahertz and 70-megahertz going to new entrants or well-funded new entrants, if you want to call them that. But at the end of the day, we're not going to comment on our auction strategy. It's something that is sensitive to us and confidential, if you will. So, that's one.

With respect to the WiFi-first, a decision made by the CRTC, we're supporting that decision because it reinforces the focus on investment-based competition, investment-based infrastructure. And it's what has created a great, vibrant, strong network capability in Canada historically and it allows us to commit to long-term investment for the future of 4.5 and 5G. So that underscores the importance of that investment overall.

And as it relates to the wholesale roaming rates, I think [ph] they're falling (26:11). It just reflects the economic conditions and full capital return in terms of those rates. So, generally, I would say overall, we're pleased with the level of partnership and support that we're seeing with respect to the government and working together on some of these files and some of these different efforts. It's much more productive environment than we have seen historically.

David Barden

Analyst, Bank of America - Merrill Lynch

Q

That's great. Thank you, guys.

Operator: We'll now take the next question from the line of Tim Casey with BMO. Please go ahead.

Tim Casey

Analyst, BMO Capital Markets (Canada)

Q

Thanks. Just switching over to wireline for a moment, if we could. Can you talk a little bit about what you're seeing in the broadband market? Obviously, you've highlighted that was a growth driver there. And then, can you flesh out a little more your rollout of the Comcast platform? You did provide some color on the employee deployment, but just anything else you could add there would be helpful. Thanks.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Sure. Tim, first of all, we're pleased with our results with respect to our residential market. And just to remind everybody, we do have a 1-gigabit capability across our entire footprint of 4.3 million homes. And we've been marketing actively to that competitive advantage now for the last few years and it's going well for us. To put upon a point on it, this is our 11th consecutive quarter of positive Internet penetration growth for the Rogers organization. I think that speaks to both the competitive advantage in our ability kind of leverage it for continued growth in customer additions and the overall economics of that business.

We're also been focusing more on the three product household. And you'll see some of that reflected on the numbers this quarter. If you look at our television results, they're about twice as good or half the number of losses that we had a year ago, minus 12,000 this quarter versus minus 24,000 a year ago. And on the phone side, we're positive 9,000 this quarter versus positive 2,000 a year ago. So, we also like the mix of what we're focusing on. We've had quite a bit of discussion on this phone call in the last few quarters around the level of promotional activity of the marketplace. And that will come and go from time to time. We've been quite sanguine about that. We don't really want to jump into that fold on a regular basis. It's a real balance between attracting subscribers and managing the long-term economics and financial health of this business.

And when you jump into that trade on a regular basis, you end up getting a set of customers that we like to refer to as promotional hoppers. These are customers that would just come forward the promotional period and then hop back out to the next promotion along the way. So, a lot of COA is spent to attract those customers with not a lot of great lifetime value. And I'd say overall, it's a very low or even negative lifetime value of those customers.

So, it happens from time to time because of competitive intensity led by our largest competitor, but it's something we're thinking about in a very sanguine and kind of calculated way as a whole.

Generally speaking, we're pleased with that. To your question on Ignite TV, we've done I think very well with one plank of competitive advantage. As we add the second plank with Ignite TV, I think we'll be able to kind of really drive at even better set of metrics overall in our residential business. We're pleased with the employee trail went well, and now we've launched to our Ontario base of employees. And we've offered it up to Ontario base of employees around about 5,000 employees request service. And we're up to 1,400 employee homes that are running the service.

And what that does for us is it gives us an even greater set of real homes with very focused and attentive team members, putting the service through its paces. And as I said to you before on this call, our goal is to exhaustively pressure-test every aspect of the service, both from a platform capability point of view but also from an origin and delivery point of view, digital adoption capability, et cetera. The Netflix integration around it, the cloud DVR that's up and running, all the different features. So that when we make our way to full commercial launch later this year, we do come out of the gate with not just a premium product, but a premium capability all around it.

We're very excited about what follows on the heels on it, and that is we are excited about the Ignite Smart home, which will lever the capabilities of Comcast xFi and Xhome. And that's really the price here, the price here is the smart home of the future where video entertainment is a piece of it. But all the other capabilities around it really form longevity in terms of roadmap for us and in terms of overall integration in the home for the future, because it's all going to be on one integrated platform and supported by we're calling the next generation home Wi-Fi capability.

So, I know we're talking about TV a lot, but it's really kind of step one of many in terms of the smart home strategy that we're on and we're very excited about it. But stay tuned on exactly more specifics about launch, but we're going to do it carefully and thoughtfully and do it when we're ready to do it.

Tim Casey

Analyst, BMO Capital Markets (Canada)

Q

Thank you.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Thanks, Tim.

Operator: We'll now take the next question from the line of Aravinda Galappathige with Canaccord Genuity. Please go ahead.

Aravinda Galappathige

Analyst, Canaccord Genuity Corp.

Q

Thanks for taking my question, and congrats on the quarter. Two quick questions for me. First of all, on the upgrade, the wireless upgrade rate, I was wondering if you can give us a little bit more color on that given the materiality of the higher handset cost and how you see that kind of playing out through the rest of the year.

And secondly, maybe a bit more insight into the distribution fee from MLB. Is that with respect to a sort of a multiyear license or is that something that would become more on either annual or biannual basis? Thanks.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Aravinda, thanks for the question. Couple of things. On the Wireless side of things in terms of upgrades, we don't disclose the specifics of the upgrade activity for competitive reasons, but it's clearly continues to be a heightened focus for us. And in terms of when we look at lifetime values, we continue to see strong values there. On a year-on-year basis, we see the investment on a per customer is up, but it's up slightly and somewhat commensurate with handset pricing overall, but what you see is our subsidies haven't changed materially on a year-on-year basis. And so that's what you would see on a per sub basis.

With respect to the second part of the question, on the MLB distribution related to – you may recall a while back they had a sale of some of the digital right and this was a partial distribution in respect of that sale. We had a distribution in the first quarter of last year, a small one and a slightly bigger one in the first quarter of this year. In terms of future distributions that will be up to Major League Baseball to decide, but it's not a recurring revenue but rather distribution of that partial sale.

Aravinda Galappathige

Analyst, Canaccord Genuity Corp.

Q

Okay, great. Thank you. I'll pass the line.

Operator: We'll take the next question from the line of Maher Yaghi with Desjardins Capital Markets. Please go ahead.

Maher Yaghi

Analyst, Desjardins Securities, Inc.

Q

Yes. Thank you for taking my question. I wanted to just go back to the wireline side, and can you discuss if there are any price differences in the timing of implementation of some price increases that impacted your revenue or the bottom line or the numbers that we're seeing in the reported results are clean or because there are one-time items in there?

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Personally, I think I understand your question correctly. Couple of things. In the first quarter, we announced and implemented a price increase on Internet. Depending on the speed tier that customer was on, it varied as to what that price increase was. In terms of actual billing and flow through revenue, it really didn't happen in Q1. We picked up about two weeks' worth of billing in the quarter. So, it's very small. So that will start to come through in the second quarter in terms of impact.

With respect to our wireline business, in Internet specifically, we talked about including things like RBS that was previously disclosed separately, as well as Smart Home Monitoring, both of those had no material impact on the growth rates that you see for the Internet and had no impact on the Internet subscribers that you saw in the quarter on a year-on-year basis. So, it really does reflect what you previously would have been accustomed to as it being included in the Internet.

Maher Yaghi

Analyst, Desjardins Securities, Inc.

Q

Okay, great. And on Wireless, I wanted to – just two-pronged questions here, first, quickly. The first one is, when you look at your porting on the Wireless, has there been any change in who your customers are porting to, the ones are leaving? We've seen the results come out last week from one of your competitors, some people thought there would be an impact on incumbents. Can you talk about just the general dynamic of the Wireless industry with a fourth player now in the market more actively? And the second one is on 5G. Can you maybe, Joe, tell us some of your initiatives in 5G and some of the timelines on when CapEx and implementation of the network is going to happen?

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Sure, Maher. I'm going to start with the overall porting dynamic. I would say overall, porting dynamic has not changed dramatically in Q1. I would say, with respect to Freedom Mobile, the fourth carrier, if that's part of your question, if anything, I think January, February and March are more muted with respect to Freedom porting than it was in December, but no real sort of a material.

And please remember that this is all against the backdrop of a growing market. The growing market, if you take a base of roughly 30 million customers in Canada, 4% to 5% growth kind of amounts to 1.2 million, 1.5 million available new net customers up there. So, there's opportunity for growth to exist in the marketplace and room for the fourth player to participate in that growth. So, overall, no real material shift in that porting of that mix overall.

With respect to 5G, in 5G, we're just building a plan right now. We're doing some trials. We're developing business cases and use cases overall. We really expect 5G commercially ready equipment in about the 2020 timeframe overall. It's a bit early for us to comment specifically on what exactly it means as a whole.

I will tell you that two things that are important. One is, the 4.5G investment that we're making that's built into our CapEx guidance for this year is to upgrade our network to be 5G-ready. So, the radio equipment and the capabilities that we're mapping on the towers right now will all be software upgradeable and ready for 5G which is an important investment happening right now.

With respect to the rest of it, please recall our thoughts or comments in the past that 5G for us would be more out of an evolutionary investment that will sit on top of our already strong and capable 4G and 4.5G capability, and it will evolve as the various business cases come to life, whether it's around IoT or around a low latency devices or applications, et cetera. And as we kind of embark on those plans, we'll be happy to share what we think is appropriate and not competitively sensitive.

Maher Yaghi

Analyst, Desjardins Securities, Inc.

Q

Thank you. And congratulations on the quarter.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Thank you.

Operator: We'll now take the next question from the line of Drew McReynolds with RBC. Please go ahead.

Drew McReynolds

Analyst, RBC Dominion Securities, Inc.

Q

Yeah. Thanks very much. Good afternoon. Just a follow-up for you, Tony, on the upgrade in the quarter to postpaid base. I think in the past, you verbally commented just on the volume of upgrade as a percentage of your base. Is that something you can provide for this quarter?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

A

Drew, no, it's something we no longer provide, again, for competitive reasons. So, we've stopped doing that.

Drew McReynolds

Analyst, RBC Dominion Securities, Inc.

Q

Okay. Okay. And maybe still for you, Tony. On the Cable margins as we go through the year and when Exelon begins commercial deployment, is that ramp-up a kind of a period where you see greater margin volatility in the Cable business? How should we be thinking about that kind of quarter-to-quarter volatility?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

A

The probably helpful context, some of you are aware, the pricing constructs for a licensing model with Comcast are variable cost basis, and we pay on a per active subscriber basis. And so, it isn't going to have – it'll ramp as the product itself ramps. And so it isn't going to have a material impact to our margins through each of the quarters this year and as the product itself starts to ramp. The numbers we provided in terms of margin expansion for Cable are inclusive of the licensing fees. And so, don't expect any material shift in margins for the full year.

Drew McReynolds

Analyst, RBC Dominion Securities, Inc.

Q

Okay. That's great. And maybe one for you, Joe, clearly making some progress on the postpaid churn side. We've heard in the past some aspirational targets on where postpaid churn can shake out for Rogers where you think your optimal level is relative to COA, COR. Can you just provide us an update now that you've been there for a while, you're seeing the competitive market unfold with Shaw getting into the segment? Can you just provide us an update on your thoughts there? Thanks.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

With respect to churn overall, I would say that there is still opportunity of headroom for further churn improvement. It is a process of working through a number of operational improvements, building a capability around base management, driving better digital adoption, attracting a higher value mix of customers, investing in customer service and support resources, knocking down chronic customer service issues and conditions that have existed for a long time, and we're making our way through all that. We've got a team that's passionate and dedicated to making that happen across various parts of the organization. So, we think there is still room on that front to continue on that trajectory. I'm loath to kind of give you a number overall, but I do think that we'll continue to chip away at it over the quarters and years to come. I don't see anything fundamentally standing in our way of even greater improvement.

Drew McReynolds

Analyst, RBC Dominion Securities, Inc.

Q

Okay. I appreciate it and good quarter. Thank you.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Thank you.

Operator: We'll now take the next question from the line of Simon Flannery with Morgan Stanley. Please go ahead.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you very much. Tony, just coming back to the buyback, can you just talk a little bit about what we should look for? I think you talked about being opportunistic. Is that to say at this sort of price level, you wouldn't use it, but you might consider it if it dropped further or might you be active at these levels, what are the use case and how does that play into your de-leveraging and your dividend decision, just the overall capital allocation, given you're not yet quite at your leverage target? And then, maybe, Joe, on the Cable commercial side of things, what's the latest on the progress there to take advantage of that opportunity? Thanks.

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

A

Okay. So, Simon, I'll start with the first part of it. In terms of the NCIB filing, as I said, it is intended to be opportunistic. Don't want to get specific into the price floor, but I – it's what you would expect. The difference between where we see our full value being relative to the current trading price is significant than we wanted the opportunity to be able to repurchase our shares. And so, I don't want to get into more than that. I will say that you may recall several years ago, we had a standard buyback program and continue to file on an annual basis. And I think what you see here is us now getting back into a process of filing this on a recurring basis. So, it does leave the window open for us to the extent that there's the opportunity to leverage the difference in values, as I said.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Simon, can you just elaborate your question around Cable commercial, I'm not sure I completely understand the question?

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Q

Yeah. On the business side of things, you've talked before that you see a lot of opportunity to grow your market share.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Yes. So we're busily working to develop those set of offerings at a go-to-market ability that will help to further bolster our results in the Cable front coming from the business enterprise team. They are doing a great job of building up that capability and it's meant to address both small business and medium sized business. More to come on that front, but we think the opportunity is big, we've got a very small percentage of the market as a whole and it fits very nicely with the ambitions that we have around IoT and around other sort of IP-related opportunities for that part of the marketplace.

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

So what's the timing on that do you think?

Q

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

Well, it'll be something that evolves over the next four to six quarters. It's been improving already, but it's still early days in terms of any ramp of particular momentum. Our results do not reflect any material impact from those improvements. I think later this year, we will see more materiality around those impacts.

A

Simon Flannery

Analyst, Morgan Stanley & Co. LLC

Great. Thank you.

Q

Operator: We'll now take the next question from the line of Philip Huang with Barclays. Please go ahead.

Phillip Huang

Analyst, Barclays Capital Canada, Inc.

Hi. Thanks. Good afternoon. Great quarter. Question on the Wireless side, the government was calling for lower cost data-only plans. I think it was by April 23rd, if memory serves me correctly. Just was wondering what can we expect from Rogers and I guess from the industry overall in the coming weeks to address that demand from the government?

Q

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

Phil, we are presently working on our submission, which [indiscernible] (47:21) due April 23. And for a number of reasons around confidentiality, et cetera, just can't comment on what exactly we're doing, what we're up to. But something we've taken very seriously and working very closely with our team to figure out what is our best foot forward.

A

Phillip Huang

Analyst, Barclays Capital Canada, Inc.

Okay. Just so I understand – is it – do they just expect the proposals by April 23 without a specific timeline on when these plans are coming or I think there is no definitive timeline on when these plans are supposed to become available on the market right in terms of details from what CRTC has required?

Q

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

It's a process where we submit our rate plans and then there is a period of feedback and consultation. And then, there's potential further discussion on it. So, it's very hard to say exactly when is the date that these go live, it's really up to process, that is really controlled by the CTRC. And it's a process that is well understood, more articulated, but it requires public consultation and commentary.

A

Phillip Huang

Analyst, Barclays Capital Canada, Inc.

Q

Got it. That's helpful. And then maybe a longer term question, just as we start to think about the next cycle of Wireless investments, 5Gs, how do you see your network partnerships evolve? Specifically, I was wondering if you could comment on how you look at your partnership with Quebecor. And as you think of long-term potential partnership with Shaw, what are some of the similarities and differences between as you look to these two different entities as partners, what are some of the things that you kind of take into consideration? And obviously, the bigger question being when do you think the time would be right, so that you could also reap the benefits of the scale benefits that you currently have in Quebec and expand that through other markets? Thanks.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

I mean, broadly speaking, as we look at any sort of sharing arrangement or agreement whether it's 4G or 5G, the fundamentals are the same. We'll look at the overall economics for our business. We'll look at the strategic value of that partnership and we'll make the appropriate tradeoffs. We're open to all ideas, but there's no sort of automatic template or formula and it's also very difficult for us to comment on any existing agreements. It's not something that we're prepared to do. They're confidential in nature and they're highly sensitive. So we're not going to comment on agreements as a whole.

Phillip Huang

Analyst, Barclays Capital Canada, Inc.

Q

Right. One final one for me, in terms of the margin expansion, obviously you guys are tracking well ahead of plan. I was wondering if you could comment on – you mentioned some lumpiness through the year, I was wondering if you could provide a bit of color on the type of lumpiness that's – or what's driving the lumpiness? And then also, as we look to beyond 2018, I know we're only in Q1, but I was just wondering if you see further opportunities for efficiencies? Thanks, guys.

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

A

Well, on the lumpiness of margin, it's really twofold. One is a good margin expansion in the first quarter and just want to be careful that you all didn't start to factor in a margin expansion of similar magnitude for every quarter. We are pacing ourselves. And as you would expect some of the cost programs that we have come into effect sometimes mid-quarter, sometimes end of quarter and sometimes beginning of quarter. And so that will have a bit of an impact on margin expansion in that particular quarter, and so we're alerting you to that. So, there isn't anything ominous that's out there that we're worried about. It's more the timing of those programs and how it impacts the 90-day cycle in the quarter. So, that was the first part of the question, I'm not sure I got the second part of your question.

Phillip Huang

Analyst, Barclays Capital Canada, Inc.

Q

Well, just looking beyond 2018, whether there are further opportunities for the type of larger expansion we've been able to see over the last couple of years?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

A

Yeah, we're not going to provide guidance on margin beyond the current year, but what we can say is our cost program is multi-year, and we'll continue to weigh that against our revenue outlooks to give you the more fulsome margin expansion at the right time. But cost discipline, cost efficiency, those are industry-wide phenomenons that are occurring. And of course, we're participating in that. It's becoming part of the culture here in terms of how do

we do better, so we can invest in the growth areas and things that give us a bigger bang for the buck. So, all of those are kind of things that will continue, but I don't want to get into specifics of what it means for margins beyond this year.

Phillip Huang

Analyst, Barclays Capital Canada, Inc.

Q

Great. Thanks very much, guys.

Operator: Ladies and gentlemen, we have time for two additional questions today. The first of which will come from the line of Richard Choe with JPMorgan. Please go ahead.

Richard Y. Choe

Analyst, JPMorgan Securities LLC

Q

Great. Thank you. You mentioned part of this earlier on some of your answers, but wanted to circle back on it. It seems like you have churn under control, and that could improve with a little more of fine tuning. But in terms of, I guess a three-player market potentially increasing to a four-player market, it still seems like your growth has been very good. How much of this is your efforts as Rogers and how much is this as the industry growth and do you think that can continue in terms of color for the industry?

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Well, I think, Richard, first of all, recognize that we have a number of sources of competitive advantage that have been very helpful to our performance as an organization. One is just the overall quality and capability of our network that is not just expansive in terms of coverage, but has speedy performance capability that is best-in-class on a global basis.

Second is around distribution. We've got incredibly strong distributions across corporate-owned channels, dealer channels, third-party retailers, et cetera. All told there are roughly 2,500 points of distribution for the Rogers organization. You compare that to some of the new entrants, their points of distributions are measured in low hundreds as an example. Distribution matters in this business. That's how we can post a 10% year-over-year growth in gross additions as a whole.

And then it also plays into the quality of mix, not all customer additions are traded equal. We talk a lot about ARPU and now ABPU. The one thing that we talk a lot about behind the scenes is AMPU or average margin per unit. So we're looking at the lifetime value and then the cost to acquire and the cost of service in retaining that particular segment of customer. And that's an important part of consideration, making sure that we just don't get loading effect, we get the right sort of mix of loading as a whole.

So in terms of four-player dynamics, look we've been competing with some of these fourth players for the better part of 10 years in some way shape or form, and it's not something that is intimidating whatsoever. It's something that we're very comfortable going and just going to play our game the way we've always played it. The key is to continue to invest in next generation of capability and networks. This is an industry – this is a game of capital allocation. And this industry has always required us to not just invest capital in the next generation of technologies and networks, but also extract strong economic return from those investments. We have a history of doing both. And 35 years into the Wireless industry now, it's proven – these investments come in cycles. And you got to be able to kind of invest at the beginning of the cycle and invest through the cycle. And we're prepared to do both,

and it requires the balance sheet and strength to do so. So, we're not just leaving at that, but the overall focus in the marketplace.

Richard Y. Choe

Analyst, JPMorgan Securities LLC

Q

Great. And now on the Cable side, I guess you mentioned 1,400 employees have this Ignite service, and 5,000 have requested it, out of 15,000. What level do you think you need to get to where you feel comfortable enough to start doing a broader rollout? If you can give any color on that, that'll be good.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Yeah. I don't think it's a level in terms of numbers, I think it's more of a sense of satisfaction that we have exhausted all the possible use cases, customer order management fulfillment processes, type and diversity of homes with respect to Wi-Fi installation capability and really putting everything through the paces. The platform is offering very well. This is really more right now putting the processes through the paces and making sure that all the order to deliver processes are [indiscernible] (57:27) because we are launching a premium product.

We're reinvesting on how we go to market around those products and we're going to reinvent the Cable business surrounding Ignite TV. And therefore, we want to make sure that we come out with white glove service. We come out with premium installation in the home. We come up with strong digital support for the product that we're offering, et cetera. And it's important that what we have to offer isn't just a rip-and-replace of our entertainment solution, but it's actually a really strong first step towards a Smart Home that includes video entertainment, it includes the best Wi-Fi, it includes all things that will come after it with respect to leveraging both xFi and X-Home for the future.

And it's that sort of capability that we're really, really focused on. And that [indiscernible] (58:22) team will know when we are there, will know when we are there, because the way we're doing this is we're sitting with employees on a regular basis, in town halls and strums and listening to what they have to say and that is they are being recycled back into process redesign and that are rinsing and repeating, for the lack of a better metaphor. And we'll know when we are deploying where we feel we're in a good steady state and we can then take the next step.

The next step after this will likely be some sort of contained commercial launch and then a full commercial launch thereafter. So, as we kind of feel comfortable both from a capability point of view and a competitive sensitivity point of view, more than happy to kind of let you know what our plans are.

Richard Y. Choe

Analyst, JPMorgan Securities LLC

Q

Great. Thank you.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Sure.

Operator: And your final question will come from the line of David McFadgen with Cormark Securities. Please go ahead.

David McFadgen

Analyst, Cormark Securities, Inc.

Q

Okay. Thanks for squeezing in. So, just a couple questions. So when I look at your Wireless and your Cable results, if I look at the other operating expense line, it's down in both segments. And I was just wondering, does this reflect the reduction in the call center cost? I know that you are hoping to reduce those by about \$50 million a year or this is just a reduction in other expenses and a reduction on the call centers additional upside to come? And then secondly, I was wondering if you could just comment on what's driving the lower TV net losses this year versus last year?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

A

Good. It's Tony. I'll start with the other expenses. It's all the above and in particular in the quarter, I would say it's the non-call center costs that we've made great progress in the quarter. And so, a number of things, we've in the past talked about the key items in the cost playbook and you see those programs coming through. So, I wouldn't point to one item as being the item or the majority of it. It really is a combination of a number of programs that are running simultaneously on the cost front. And then, the second part of your question, on the TV losses, I'll lead off, but it really comes back to what Joe talked about at the beginning of this call. Really, we've made really good progress on looking at a three-product whole home and it's been like with our Internet competitive advantage. As we continue to improve service across the board on all three products, it's helping on that front and you see TV coming along with it. So, it's part of that broader strategy.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Yeah. The only thing I will add to the [indiscernible] (01:01:16) comment is we're quite excited about the DOCSIS roadmap that will continue to bolster our capability. In 2019, we'll deliver 10-gigabit Full Duplex capability coming from DOCSIS and the roadmap thereafter will include up to a 40-gig capability over fiber FET access overall. And the point I'm making is that we've got an opportunity to continue on this roadmap, invest in an evolutionary way rather than you got to replace in terms of infrastructure as a whole. And on top of that, I think it's more of headroom for what customers are demanding right now. One thing we've learned through our 1 gigabit capability is that we're well ahead of [ph] customers that (01:02:05) needs and expectations and we'll 10 around the corner and we feel we'll continue to make that statement.

David McFadgen

Analyst, Cormark Securities, Inc.

Q

Okay. So, you expect to be in the marketplace in 2019 offering a 10-gig Internet service?

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Sorry, I didn't hear the question.

David McFadgen

Analyst, Cormark Securities, Inc.

Q

Sorry. Just a clarification. In 2019, will you be in the marketplace offering customers a 10-gig Internet service? Is that what you said?

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

We're not going to comment on what our go-to-market strategy is, we're commenting on the availability of the technology and the roadmap being delivered by DOCSIS.

David McFadgen

Analyst, Cormark Securities, Inc.

Q

Okay. Okay. And then just one other final clarification. On the MLB distribution, I was calculating, it was around \$39 million, does that make sense?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

A

One more time, David, we're having trouble hearing you on which distribution?

David McFadgen

Analyst, Cormark Securities, Inc.

Q

The MLB distribution. Is it about – I was calculating \$39 million. Is that accurate or?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

A

David, we're prevented from disclosing the amount. We'll try to give you – you know what our face value growth rates are and I gave you what the adjusted growth rates would be. And if we work backwards, you come close to what the year-on-year incremental amount is. And so, I won't say more than that.

David P. Miller

Secretary, Chief Legal & Corporate Affairs Officer, Rogers Communications, Inc.

Q

Okay. All right. Thank you.

Operator: Ladies and gentlemen, this does conclude the Q&A session for today. Thanks for participating and you may now disconnect your lines.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2018 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.