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PRESENTATION

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

I'm Sebastiano Petti. I cover the communications services space at JPMorgan. I want to introduce Joe Natale, President and CEO of Rogers Communications; and Tony Staffieri; CFO of Rogers Communications. Thanks for joining us, gentlemen.

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

Good morning, Sebastiano. Thank you for having us both.

QUESTIONS AND ANSWERS

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Great. (Operator Instructions) So starting off, vaccination rates in Canada are picking up with the economy poised to begin reopening soon. Perhaps we can start with an update of what you've been seeing recently from customers across wireless, cable and media.

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

Sure. Well, you're right in terms of vaccination rates picking up. We're at roughly 60% first dose -- at least first dose. And we're probably a few months behind where the U.S. is overall, but there's certainly a sentiment in the air that we see the light at the end of the tunnel, and people are very anxious and excited to resume a degree of freedom. Good chunk of the country, of course, is in some form of lockdown or even curfew. Restrictions have been quite high as we made our way through the third wave.

I will say a couple of things are evident across our business. One is in wireless. There is strong pent-up demand. If we look at the overall industry results in Q1, certainly has been strong growth in the wireless subscriber market. And well, I think we'll continue to see that pent-up demand in the months ahead, especially as restrictions start to lift. And especially as we see immigration resume and foreign students reenter Canada, et cetera, there's quite an important part of the market that is all about population growth and about people coming to Canada from other countries. So we're very excited about that. But we're seeing pent-up demand. And we're encouraged by some of the surveys out there of customers who say one of their first purchases will be a new cell phone once they come out of freeze.

On the cable side of the business, we've seen strong consumption and even heavier reliance on home Internet and WiFi, of course. And this actually added to the demand and to the stability of that business. And you've seen that show up in strong results in Q1 that we'll continue to see out into the future all around that particular business. Of course, there's an opportunity with respect to continued expansion. Our governments are pouring a lot of money into rural broadband connectivity, and we'll continue to see not just home formation resume and grow. We'll see footprint expansion for roughly the 2 million homes that don't enjoy high-speed Internet connectivity in Canada and therefore are an opportunity for us.

On the B2B front, I don't often talk about it, but we're seeing good growth in that business. We've been underpenetrated in small and medium business. And our new product set that we've built over the last few years is certainly coming into fruition and helping us drive that business, coupled with the fact that we are under-indexed to some of the industries that have been hurt the most through COVID, and we've been doing a good job, I think, of adding facilities to organizations that need more infrastructure through COVID as they develop digital and online capabilities that will perpetuate beyond COVID.

In our media business, we're seeing a lot of excitement around hockey right now and advertising. Advertising dollars are up. Advertising audiences are way up in terms of the most recent games. We're quite excited about that. And the Jays -- we hope to see the Jays play in Canada again soon. They'll be playing in Buffalo very soon to like 1/3 audience as a whole, but media will come back as COVID kind of unlocks the population and the rest of it.

So we're feeling very bullish around the future, Sebastiano. Both the macro trends and the recovery trends are helpful to us. I would say that we were punished the most in terms of the impact of COVID with the percentage of roaming in our wireless revenue, the exposure to media, et cetera. And I think the recovery will benefit us the most as we come out of it, as we [spring] out of it, on top of the macro factors around home formation, penetration growth in Canada and all the things that we've been talking about over the years.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Great. A lot of stuff to come back to there, so I guess a great place to start off. Before we get further into the business, can you update us on the merger with Shaw? What are the next milestones from here and what should investors perhaps be thinking about?

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

Well, we're obviously very pleased with the most recent shareholder vote. Extremely positive sentiment from shareholders and court approval just yesterday in the province of Alberta. That's hurdle #1. We're working hard on the key regulatory approvals. We believe the time line is what we discussed last time, the first half of 2022 in terms of when we get there. We don't perceive any major obstacles. We're really going through a series of discussions and putting down our economic fact base around the markets in Canada, et cetera.

But bear in mind that our cable businesses really do not overlap at all, [very] minimally. Shaw is the Internet services provider in Western Canada in the 4 Western provinces, and we are the Internet services provider in Ontario, New Brunswick and Newfoundland. So there's complete complementarity in terms of geographic footprint. And together, we will have the largest national footprint in terms of coast-to-coast Internet services for both residences and businesses. And we think it's a very compelling argument, especially in a world where there's investment on the horizon with respect to 5G and what that means.

It will give us an ability to accelerate our 5G development and deployment. There's a big push in Canada around rural Internet, as I mentioned, and an opportunity to take advantage of some of the public funding that changes the economic threshold or breakeven point for a lot of those investments. And I think nothing but goodness will come from the 2 companies coming together in terms of those specific opportunities on both those fronts.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Great. Great. You guided to flat ARPU quarter-over-quarter in wireless and -- quarter-over-quarter as well as year-over-year in the second quarter. What are the underlying drivers of ARPU at this point? And as overage headwinds moderate and roaming picks up, how are you thinking about the recovery in wireless ARPU in the second half? And how much of this roaming recovery -- how much has roaming recovered versus pre-COVID levels as we exit the year?

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

Sebastiano, I'm going to give Tony a chance to jump in here on the conversation. It's a question we've addressed quite a bit through the last number of quarters. As you know, we've invested heavily in getting ourselves ready for the next chapter in the wireless industry with the largest portfolio of infinite or unlimited wireless customers in Canada. We have 2.6 million customers on unlimited plans on the Rogers brand, which is, we believe, by far the largest cohort, and that gets us ready. Of course, along the way, we've been lessening and eliminating our reliance on overage, and that is coming to an end very soon as roaming begins to resume. And then I'll have Tony just kind of unpack that in terms of the key pieces to help put in perspective the year-on-year and quarter-on-quarter expectations that you and investors think about.

Anthony Staffieri - *Rogers Communications Inc. - CFO*

Great. Thanks, Joe. As you said, Sebastiano, when we provided guidance for the second quarter, we said our ARPU would be roughly flat sequentially as well as on a year-on-year basis, which is just over the $49 mark. As we head to the second half of the year, there's a couple of things that start to come off and hold our ARPU and revenue growth, frankly. Overage is no longer going to be a significant part of our drag. We'll still have overage going forward, but you probably won't hear us talk about it. It's not going to be material. And as we move to the growth side of things, we'll focus on those things that are contributing to growth, and overage will be a small number. If I mention it in any quarter, it will be because we had a huge surge in unlimited that quarter, which is not a bad result as well. But our expectation is the noise on that will have gone away.

As Joe said, roaming is the piece that will pick up. That is a $500 million business for us that has declined substantially. We're seeing some pickup in Q2. But with what we would call soft border closing as well as very limited travel in both consumer and business with very little picking up, we're not seeing a big rebound yet in the second quarter. Ties back to Joe's comments at the outset. Increased vaccinations and other methods like rapid testing, et cetera, is certainly going to help fuel that in Q3 and Q4. And that alone will probably be the biggest catalyst for ARPU and service revenue growth for us.

The second biggest driver for service revenue will continue to be the size of the market and wireless growing. Penetration rates continue to lag the U.S. by 20 to 25 basis points. And that, combined with immigration levels spiking up and resuming back to school and foreign students coming back to Canada, that's a bigger population driver for us proportionally than it is in the U.S. And so those factors sort of coming together give us quite a bit of confidence on ARPU growth in the second half and more importantly, service revenue growth in the second half.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

And I think that's an interesting point that I wanted to come back to earlier but -- later. But while we're here on the topic, at JPMorgan, we do like to set up for the wireless industry in Canada just given the lower usage, lower penetration that you just touched upon as well, not only vis-a-vis the U.S. but other developed nations as well. The population growth in Canada is also well above the U.S. It should provide a nice tailwind over time. Particularly as borders open up, immigration helps fuel that. Are there any structural differences in Canada that would keep usage and penetration below other nations as you kind of think about the next 3, 5, 10 years?

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

We don't believe there are any structural differences from that perspective. You're right. All those elements you've just talked about, Sebastiano, are the right macro factors and the tailwinds. I would add a couple more to it. We've often talked about the dual phone phenomena in the U.S. That's a very well entrenched part of business and home life. In Canada, that still has opportunity, and that contributes to the penetration growth and availability that's ahead of us. And I think that's an important factor.

And we often talk about immigration as being permanent residents to Canada, people coming to Canada in the sort of -- on a permanent basis. That's like in the neighborhood of 1.5% to 2% growth per year. I think the government's last estimate was 420,000 permanent residents are expected to arrive in the next full calendar year once things open up again. So that's just over 1 point -- 2%, 3%. But on top of that, there are foreign students. That's a big population in Canada as we attract more and more students from other countries to come and study here and grow here. I think population growth is an important part of the future economic growth of our country. And I think you're going to see continued doubling down on that point, and that will continue to provide opportunity for us and the whole formation that comes with it as well.

And I think we'll also continue to see greater data adoption. The average Canadian still uses an amount of data that is less than many other markets in the world. Part of the reason that we rip the Band-Aid off on overage and unlimited is to make sure that we can fully avail ourselves of that adoption curve as it rises. And with 5G, there'll be a series of new opportunities to monetize different services and different experience levels along the way. So we're very excited about all those factors coming together. I think we're entering a new growth cycle for wireless. As the largest wireless player, when you combine that with the pandemic recovery opportunities, I think we're in a good place.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Great. And then, Tony, perhaps maybe going back to comments from the call regarding the second quarter. You highlighted that you continue to anticipate strong wireless margins, although year-on-year growth rates will be flat to slightly positive. I think there was a little bit of confusion around this. Can you maybe provide -- come back to that, provide a little bit of clarity? And how should we and investors be thinking about margin expansion in wireless in 2021 and beyond?

Anthony Staffieri - *Rogers Communications Inc. - CFO*

By way of context, we've done quite a bit of work in trying to get our structural cost down in both our -- all 3 of our businesses. But certainly, you see that in our wireless margin expansion over the last several quarters. We're running at EBITDA margins at roughly 62% to 63% right now, and going forward, we see us continuing to operate in that range. There are some things that we've done that are going to be enduring. Some of the moves to digital and the cost that, that has taken out, as one example, would be enduring. And as we come out of the pandemic, there are going to be some costs that will increase.

As retail outlets open up, we'll increase staffing in the stores. And to some extent, that won't be a one-to-one match for volume depending on what kind of traffic we see in the stores and at the malls. But we certainly see that as very temporary. But a sustainable, solid margin we have confidence in is around that 62% to 63%. When you compare it to last year, in Q2, we had a 58% margin, but that included a onetime bad debt provision of $90 million, you may recall, as a total company, and some of that impacted wireless. And so the point is when you exclude that, you'll see roughly flat margins on a year-on-year basis. And that is, of course, because of the shutdown. Much of our costs were essentially reduced in that second quarter last year. I hope that [helps].

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

That makes sense. You called out improved digital and online channel contribution as a driver of solid wireless loadings in the first quarter. How are loadings trending thus far in the second quarter? And what are you seeing from a competitive standpoint in wireless as we sit here today?

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

Sebastiano, on your point, we're pleased with our ability to develop stronger omnichannel capability, and that is a combination of digital and bricks-and-mortar and the ability to flex back and forth. I would say a year ago in Q2, we struggled with the digital capability out of the gate as COVID hit hard and stores were locked right down. What we've seen with the pent-up demand is that we're able to flex more easily between digital, bricks-and-mortar or a combination of the 2. We saw the market open up through the latter half of Q1. That sort of momentum and that loading growth is continuing. I think what you'll expect from us is stronger sequential net loading in wireless and certainly much stronger year-on-year results given how challenging this period was a year ago.

But we're pleased with our ability to flex. We are one of the most locked down jurisdictions anywhere right now. So it's certainly putting some challenges on the industry as a whole, especially when you consider just store footprint. We've enjoyed one of the most advantageous points of distribution. We have over 5,000 points of distribution across the country across all of our brands, and that has been a huge muscle that we've been able to flex many times through the course of our 30-year history. And we have been [able to only] flex it partially now as things go between lockdown, et cetera. So when we come back and stores are fully open, that distribution advantage combined with the digital muscle that we've worked so hard to build over the last 12 months will really make a big difference.

There's a couple of key things that happened in the last 12 months around digital that I think are noteworthy. One is we really amped up our Pro On-the-Go service, and that's a service where we will let you -- where you can order a phone online and have it delivered to your home or your place of business or on the street, frankly, wherever you want. And the technician will then -- and the car has a series of accessories and options, et cetera, and we'll just transfer your data for you like wherever you want to meet. That's been a great game changer for us, and volume on that continues to grow. The second thing is the team spent quite a bit of time working, what we call, clicks to bricks. It's basically a curbside service pickup option. So you can order online and then drive to or walk to your nearest store and pick it up curbside without going in the store. And we think some of those modalities or use cases will certainly continue to be an important part of our business.

The goal we have in the whole distribution area is really to be able to meet customers' needs the way they want to be served. In the process, we have an opportunity to manage channel mix. Channel mix -- not all channels are created equal from a cost of acquisition or cost of retention point of view. Some third-party channels are very expensive for us because, of course, we're stacking fees and commissions and margins on the mix and everything else. So the more ability we have to direct the mix of traffic according to the convenience and a lower friction with a combination of clicks to bricks, the more we have an ability to manage the broad economics of distribution into that. We're quite excited about. I think customers have also learned different ways of interacting with us, and those are not going away post-COVID.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Right. Okay. It's been a little over a month since CRTC's MVNO decision. How are you thinking about the potential regulatory and competitive impacts from this decision? And can you also comment how it may impact your capital allocation decision in wireless as a result?

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

So the most important message to take from the MVNO decision or the wireless review -- and bear in mind, that's a review that happens every 5 years. It's a very important review. It's sort of meant to look at the state of the industry. And the most important message to take away from it is that infrastructure-based, investment-based regulatory conditions in Canada are working, and therefore, they need to continue into the future. And we're pleased with that very loud message. We have some of the best networks in the world. Canada is typically ranked first or second in terms of wireless coverage, wireless speed, wireless reliability by almost any of the major measures, and that's no accident. That's happened because of a regulatory environment that supported investment.

And when you're in a country that covers 5 time zones with 1 of the smallest population densities in the world, it's important to kind of maintain a situation where people feel comfortable investing. And what I take away from that is certainty, and the message to our investors is there's certainty now in the environment. There's been a cloud of uncertainty over the last few years around what the decision will mean and where it will take us as a whole. I think what it underscores is that the investment approach, the 12% to 14% CapEx intensity in wireless, of course, will continue and makes a lot of sense because we'll continue to be able to extract fair economic return for the investments that we are making. And as you know, we're at the -- in the middle of a very important investment cycle around 5G, and it's important to have that certainty as a backdrop. So we're very pleased with that decision as a whole, and it will continue to reinforce the investment thesis that we have to your question.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Sticking with the topic of 5G, without commenting on spectrum or interest in upcoming auctions, globally, it is clear that mid-band airwaves are key to unlocking the true opportunity of 5G. Enterprise and private networks are likely to be among the largest opportunities in the 5G era. Is that consistent with how Rogers is thinking about it? And does the broader nationwide footprint with Shaw potentially augment your opportunities in this area?

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

So I think, first of all, mid-band spectrum, of course, is important to unlocking 5G as a whole. And we've got a good tranche of it in the 2500 band, and there are 2 auctions coming up, one in June and one, hopefully, in the next year, 1.5 years around 3800 of the C-band spectrum. So we'll continue to be focused on putting together a great spectrum portfolio. We have a very strong spectrum position right now. We're pleased with that. The outcome of the 600 megahertz auction saw us get about 80% of the available 600 megahertz spectrum that was available to us, and that allowed us to really get a jump start in terms of our 5G build. In 5G, we now cover 173 cities or roughly 600 communities across Canada, and we've got our foot on the gas in terms of taking that big step forward around 5G.

Bringing Shaw and Rogers together will allow us to accelerate 5G further and more importantly, will allow us to take connectivity and capability into rural Canada that previously wasn't enjoyed as much in rural Canada. There are a number of homes that can be served well with 5G fixed wireless, that the economics of fiber would have made that impossible historically in the past. And more than ever, I think Canadian policymakers are realizing that the availability of networking capability should not be limited by your postal code or ZIP code. It should be something that's available to all. And by bringing Shaw and Rogers together, we have an ability to kind of go further and deeper into rural Canada. So I think it will mean faster 5G deployment and better rural connectivity, especially when you consider that, as I said before, there are 2 million homes in Canada with no high-speed Internet. That's roughly half of rural Canada has no connection whatsoever.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

And then perhaps shifting gears quickly to cable. Tony, I think on the call, you spoke about expectations for year-over-year growth in revenue, adjusted EBITDA and adjusted EBITDA margins as you benefit from efficiency gains and higher revenue. Can you give us an update on cable trends, subscribers and ARPU thus far in the second quarter?

Anthony Staffieri - *Rogers Communications Inc. - CFO*

Sure. Over the last several quarters, we've been focused on what we call sort of the key trifecta for cable. One is grow top line, expand margins and bring our capital intensity in line, and that's been something we've been talking about for several years. And what you've seen sort of come together over the last year is good, solid improvement in revenue growth. In the last quarter, we had revenue growth of 5%, and I'll start there. What we're seeing is really 2 things on the revenue growth side, a combination of our footprint continuing to expand. It slowed a little but still growing at about a 1% to 1.5% rate year-on-year, and we continue to get leading share of that growing market.

And the second piece is good healthy growth in ARPA, or average revenue per account or per customer. And that's really our customers up-tiering on Internet speeds or on to our Ignite TV platform, which is the Comcast Xfinity platform. And so both of those are contributing to healthy revenue growth for us. In a period where product superiority is becoming more and more important, it's giving us the opportunity to gain share, but also translate that to healthy ARPU growth as well.

And we've done quite a bit of work on our structural cost side. Content cost is clearly one of our biggest, and we've done a good job of trying to variabilize that cost more and more and take out content cost that consumers just don't want to pay for or don't want to watch. And so that's been a journey and still more to come on that, but continues to move well. And then some of our platform changes like digital have done a lot in reducing those costs. And so when you look at our cable margins in the 48% to 50% range, we continue to see and feel confident about continued margins at those levels as well as year-on-year growth.

And then finally, on the capital intensity side, we stated our intention was to get it in the low 20% to 22% range of capital intensity, and that's where we sit today. And I think it's important for investors to know, that isn't at the cost of cutting off our future. We're seeing real efficiency gains. Self-install, for example, has been a huge driver of cost savings. Over 90% of our installs are now self-install and don't need the rolling of a truck. And so that's substantial as one example.

At the same time, we've increased our node splitting, and that provides for continued improvements in network capacity and reliability. And as construction resumes in full-fledged, we're fortunate that we're in a market that continues to see high immigration driving, high construction in both MDU as well as single-family units. And our investment in that will continue to increase but staying within that 20% to 22% range more or less. And so we're pleased on progress on all 3 and are confident about the sustainability of those metrics.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. And just kind of sticking with the investments in the network and the node splitting kind of angle. Your main competitor has announced plans for an accelerated CapEx program in light of an additional 600,000 to 650,000 homes with fiber this year. How would you describe the state of competition in high-speed Internet today? Can you talk more about your competitive overlap and share flows you're seeing in the different footprint cohorts?

Anthony Staffieri - *Rogers Communications Inc. - CFO*

(inaudible) I think it's important to bring back the right context. As Internet speeds continue to move up in terms of consumer demand -- and I'll tell you, the vast majority of our customers are well above 100 megs of speed. Our competitor -- telco competitor has no choice but to replace the copper that still sits in a portion of their network. And we've been competing with where they do have fiber for almost 10 years now and due to a number of factors, continue to do well. I think it's important that investors keep in mind, we have a network that is completely 1 gig ready and imminently ready to be 1.5 gig ready, which is well ahead of where the market is.

And so the technology we have when you look at either our fiber, complete fiber network, or where we have coax for the last mile continues to far outstrip consumer demand in terms of where it is. And therefore, we have a long runway. And we don't have the same problem in the telco side. We have a network that's ready to be monetized as is with little incremental investment. So we're feeling pretty good about our competitive advantage on that standpoint. And when you layer in the Xfinity product suite in terms of video and now the smartphone monitoring and then all the features with Internet as well in terms of our version of xFi, we're feeling pretty good about, again, that product superiority, being able to drive share and ARPU growth.

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

[If you look at] the DOCSIS road map as well, the DOCSIS road map, Sebastiano, like there's -- it will continue to grow capability from, as Tony said, 1 to 1.5, on the road to 4 to 6 gig with full duplex capability. So you combine that with the fact that we can do node-by-node [success-based] augmentation or segmentation as we need to. We feel we're in a very good place with respect to future-proofing ourselves. I mean, as Tony said, on the DSL front, they've had a brick wall in terms of what DSL can do and there's no choice but to shift to fiber.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Yes, that's a good point. And I think sticking somewhat with the CapEx and the network investment angle here. Last couple of minutes, but for the full year, you guided to 12% to 14% capital intensity in wireless, a 22% capital intensity in cable. And then as 5G-related spend picks up, is that still a good range as we look out over the next couple of years? And on the cable side, Tony, I think we talked about this on the call. You expect to get to 30% cash margins this year. But is that a level you expect to remain at in 2022 and beyond as well?

Anthony Staffieri - *Rogers Communications Inc. - CFO*

I'll start with both of those. On the cable front, we continue to have good confidence about 30% cash margin, and that's always been sort of our interim type of financial objective overall. As we look to closing the Shaw transaction, there'll be an opportunity to reset that, and there's certainly going to be savings. But on the flip side, we want to be very aggressive in footprint expansion as well. That's a real opportunity for us. And so more to come in terms of what that mix looks like overall.

And on the wireless side, we're feeling -- we've been running at the 12% to 14%. We continue to be in the [pull] position on 5G in Canada. And you can expect us to continue to move that investment as quickly as we can. You may see us some quarters move to 15% or 16%. We're kind of relaxed about that in terms of -- given the environment of growth that we're in, but on a more longer-term basis, continue to think of 12% to 14%.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. All right. And then just last question. Assuming the Shaw transaction does close, Rogers will be levered about 5x at deal close. You will delever quickly and expect to get back to 3.5x within 36 months. But there are several upcoming auctions as well as 5G network investments still on the horizon. How do you balance capital allocation given those dynamics? And what do you tell investors that may be concerned about your -- that your leverage will perhaps reduce your financial flexibility?

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

I think to start, and then I'll pass to Tony, to start, we have a history of acquisition based on debt financing and then drawing down or bringing leverage back down. Again, you go back to our history, whether it's Microcell acquisition or go as far back as Maclean Hunter, and that really comes down to just very disciplined cash management. And if you look at the uses of cash for our business right now, it's really simple. Every dollar is going towards our core business and going towards driving the growth and future prosperity of our core business.

We believe we have a forecast that takes into account spectrum auctions that are coming up, the timing of those auctions, the timing of the Shaw acquisition, plus a really strong view of the synergies with respect to the coming together of Shaw and Rogers. And the synergies are quite substantial in nature. We talked about that last time, I think, Sebastiano in that there are a lot of operational synergies in the coming together of 2 side-by-side cable companies given the fact that we both are leveraging the same technology for our core Internet capability, but also our video platform being both syndicate partners of the Comcast Xfinity solution.

So we believe there's a lot in terms of everything from the CPE that we buy and the equipment that we buy, the fiber footprint that we're going to get as part of the transaction, et cetera, so that those savings will also contribute to the drawing down of leverage over time. So we're feeling good about that. And I'm going to pause there and let Tony add his own perspective.

Anthony Staffieri - *Rogers Communications Inc. - CFO*

Yes. I would add to that probably 3 points worth highlighting. One is as Joe said, our cash flow models provide for a healthy allocation to spectrum acquisitions, not only this year but over the next several years in terms of what's coming on the horizon. Two, it's worth highlighting that debt costs are at an all-time low. And so it's up against that backdrop that we see good opportunity to deliver what we see as solid revenue and cost and CapEx synergies. And then the final point is we have and have been fairly prudent in our dividend payout ratios, and it's really demonstrating the value now as we think about capital allocation. On a stand-alone basis, our payout ratio is less than 50% of our cash flow. And so I think that gives us the opportunity to make sure we make the right investments in the business and give us that flexibility.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Great. I think that's a great place to leave it. Joe, Tony, thank you so much for joining us today. Stay well, and hope to see you soon. Thanks, everybody.

Joseph M. Natale - *Rogers Communications Inc. - President, CEO & Non-Independent Director*

Thanks, Sebastiano. Look forward to seeing you in person. All the best to you and your team.

Sebastiano Carmine Petti - *JPMorgan Chase & Co, Research Division - Analyst*

Yes. Hopefully soon. Take care now.