Rogers Communications Inc.
First Quarter 2022 Results
Conference Call Transcript

Date: **April 20, 2022**

Time: **8:00 AM ET**

Speakers:

Paul Carpino
VP Investor Relations

Tony Staffieri
President and Chief Executive Officer

Glenn Brandt
Chief Financial Officer

Jorge Fernandes
Chief Technology and Information Officer

Operator:
Welcome to the Rogers Communications Inc. First Quarter 2022 Results Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

I would now like to turn the conference over to Paul Carpino, Vice President of Investor Relations with Rogers Communications. Please go ahead.

Paul Carpino:
Thank you, Ariel. Good morning, everyone, and thank you for joining us today. I'm here with our President and Chief Executive Officer, Tony Staffieri; our Chief Financial Officer, Glenn Brandt; and Jorge Fernandes, Chief Technology and Information Officer.

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 2021 Annual Report regarding the various factors, assumptions, and risks that could cause our actual results to differ.

With that, let me turn it over to Tony to begin.

Tony Staffieri:
Thank you, Paul, and good morning, everyone. Thanks for joining us on this very busy day as we highlight our strong Q1 results, update our positive 2022 outlook, and hold our AGM virtually later this morning.

As I discussed back in January, the Rogers organization is focused on three priorities: better execution across our businesses, increasing our investments in our networks and customer service, and continuing our extensive efforts to successfully complete the Shaw transaction in the first half of 2022. I'm pleased to say we made progress in each of these areas in the first quarter, so let me provide some comments on each of the items before I turn the call over to Glenn to provide you with more detail on the quarter.

© 2022 Rogers Communications Inc.

Starting with better execution, each of our businesses delivered better revenue and profitability than expected. Across the organization, our teams are focused on targeting or accelerating all efficiencies and process improvement opportunities to deliver results that will meet or even exceed the targets we've set for ourselves. We're making progress with these efforts and have already started to capture some of those benefits this quarter.

Our Wireless service revenue increased by 7% this quarter as the economy continues to grow. Supporting this growth was significant improvements in quality smartphone loading, strong churn performance, and continued growth in ARPU. Postpaid mobile phone net adds were 66,000, more than triple the volume from last year. Q1 postpaid mobile phone churn improved by 12 basis points to an impressive 0.71%. Finally, mobile phone ARPU was a solid $57.25, up 3% from one year ago, reflecting continued improvements in roaming revenue.

In Cable, we continue to make progress in improving our execution and delivering better performance. Revenue was up 2% and Adjusted EBITDA up 13%. Cable Adjusted EBITDA increased year-on-year, primarily as a result of our focus on operating and process efficiency improvements at Rogers ahead of our Shaw close. While financials are improving nicely here, we still need to deliver better results on top line growth and subscriber additions. But we know what we need to do and the team is doing a terrific job on this journey.

Finally, in Media, we continue to show steady improvements coming out of the pandemic. Revenue grew 10%, primarily as a result of higher sports-related advertising, and we're targeting positive Adjusted EBITDA this year with a return of in-stadium revenues for the Blue Jays at our Rogers Centre.

In Q1, we continue to make the bold investments needed to ensure that we not only lead in Canada but to continue to have amongst the best networks in the world. In the first quarter alone, we invested 34% more than we did last year, and this year, we will spend close to $3 billion in infrastructure investment in this country.

In Wireless, we are leading in 5G coverage and performance, and as this technology brings new solutions for consumers and businesses, we will be ready to offer the world-class network that Canadians need and can rely upon.

© 2022 Rogers Communications Inc.
CHORUS CALL®

In our Cable business, we'll continue to lead on having the best Internet and TV experience, period. As you saw yesterday, we announced a major milestone in our 10G initiative, where we successfully tested 8 gigabits symmetrical upload and download speeds on our fibre-powered networks. Impressive by any standard, this technology will become available to customers in the not too distant future. Despite this increased investment, our cash flow was strong. We generated cash flow from operating activities of more than $800 million, up 20%, largely as a result of higher Adjusted EBITDA.

Overall, our team's renewed focus on execution and performance is starting to deliver results and puts us in a strong operational and financial position as we come together with Shaw.

Given our confidence in our assets and our execution, we have increased our financial guidance for this year, prior to any growth associated with the Shaw transaction. As we continue to build momentum, we see further opportunity for industry-leading revenue, profitability, and cash flow growth in 2022 and beyond. These improving fundamentals underpin the opportunities we see ahead to drive innovation and competition with the Shaw business and leverage the quality of these two iconic companies.

On that front, we continue to make good progress towards closing the Shaw transaction. We received approval of the CRTC in March. We have obtained all of the funds necessary for the deal following a record-setting series of debt offerings in the last few months, and we continue to make solid progress on our integration planning. This transaction remains subject to the approvals of two important government bodies, ISED and the Competition Bureau, and as we have highlighted since announcing the transaction 13 months ago, both the Rogers and Shaw teams believe the strength of this transaction is compelling for all stakeholders, especially Canadians.

As we move forward, our Shaw acquisition will truly allow Rogers to accelerate innovation and drive competition nationally. Importantly, together with Shaw, we will have the necessary scale to meaningfully bridge the digital divide and do what neither of us could do on our own.

Twenty Twenty-two is going to be an exciting year for Rogers. I want to thank the entire Rogers team, who have reenergized this organization by working together to not only drive better execution and improve our financial performance but to prepare us for the years ahead. Their entrepreneurial spirit

© 2022 Rogers Communications Inc.

CHORUS CALL®

and dedication to our customers will enable Rogers to reach its full potential, and I am grateful for their positive attitude and unified efforts as we strive to achieve our goals as an organization.

Let me now turn the call over to Glenn, who will provide a few more details on the quarter.

Glenn Brandt:

Thank you, Tony, and good morning, everyone. Thank you for joining us.

Our Q1 results reflect solid operational improvements in each of Wireless, Cable, and Media, underpinned by disciplined execution and accelerating economic growth. This performance is encouraging and is reflected in us increasing our 2022 outlook.

In Wireless, we delivered very strong postpaid mobile phone net customer additions of 66,000, a 200% increase from one year ago. While typically a very quiet quarter, the net additions were driven by a strong base management, low postpaid mobile phone churn, and an overall increase in market activity. Wireless service revenue was up 7% year-over-year, benefiting from higher roaming revenue as global travel continues to recover and from a larger postpaid subscriber base.

Notwithstanding the increased market activity, our churn was exceptional. We delivered strong customer retention this quarter, achieving postpaid mobile phone churn of 0.71%, which is a 12 basis point improvement year-over-year. This has combined to deliver healthy mobile phone ARPU growth of 3%, or a blended monthly average rate of $57.25 per user, and there's still room for more as roaming is currently in the 90% range of pre-pandemic 2019 levels. Additionally, we are seeing further migration towards the Rogers Infinite unlimited plans, which is helping to stabilize our base ARPU in addition to the ongoing recovery in roaming revenue.

Finally, Wireless Adjusted EBITDA was up 7% year-over-year, and Adjusted EBITDA service margin remained a strong 63% in the quarter. The growth in Adjusted EBITDA was driven by the flow-through of service revenue, which was partially offset by investments in customer care.

In our Cable business, we saw strong financial results driven by improved execution with total Cable revenue up 2% year-over-year and Adjusted EBITDA up 13%. Cable service revenue benefited from a

© 2022 Rogers Communications Inc.

modest price increase across our Internet base introduced last fall. Cable Adjusted EBITDA increased by 13%, primarily as a result of improved cost efficiencies, including lower content-related costs, partially due to negotiation of certain content rates with suppliers and overall lower people-related costs. This gave rise to an Adjusted EBITDA margin of 53%.

Importantly, our current cost-reduction activities are being implemented in anticipation of the Shaw close, where we are targeting $1 billion in synergies for the combined organization in the first 24 months following the close of the deal.

On a product basis, we saw 13,000 retail Internet net customer additions in Q1, down about 3,000 from last year. In Video, we saw improvements this quarter on consolidated TV loading to 14,000 net customer additions across both our legacy and Ignite products compared to 12,000 Video losses one year ago. Total customer relationships increased in the quarter to 2,589,000, up 53,000 year-over-year.

Moving to our Media business, results reflect further growth and recovery. Revenue grew 10% due to higher sports-related revenue, including negotiation of certain content rates, while Adjusted EBITDA fell 12%, driven by higher programming and production costs in the quarter and higher Toronto Blue Jays payroll due to timing of player trades. Additionally, content costs were higher in Q1 as sports programming shifted from Q4 to Q1, associated with pandemic-related schedule changes.

We are excited by the full return to sports and hopeful we have full stadium capacity available for our fans at the Rogers Centre for the entire Blue Jays season, and we are excited by the Blue Jays strong start to the season. At a consolidated level, total revenue for the first quarter was up 4%, and total service revenue was up 6% year-over-year, largely driven by our Wireless business. Adjusted EBITDA increased 11% and Adjusted EBITDA margin increased by 260 basis points to 42.5%.

Capital expenditures in Q1 were $649 million, or 34% higher than last year, with capital intensity increasing four percentage points to 17.9% overall in the quarter. This increase reflects investments made to upgrade our wireless network to continue to deliver reliable performance for our customers, the continued expansion of our 5G networks, as well as additional cable service expansion and cable upgrades. Cash income tax decreased this quarter due to the tax installment in the prior year arising from our transition to a device financing business model, which results in earlier recognition of

© 2022 Rogers Communications Inc.

CHORUS CALL®

equipment revenue for income tax purposes.

Turning to the balance sheet, we exited the quarter with an adjusted debt leverage ratio of 3.3 times, sequentially down from 3.4 times at our 2021 year-end. You would have seen in the quarter our announcement that we replaced the $13 billion committed bond bridge facility with our very successful Canadian dollar and U.S. dollar bond issue completed in March. We issued a combined $13.3 billion of Canadian dollar equivalent senior notes at a weighted average cost of borrowing of 4.2% and a weighted average term to maturity of 14 years for net proceeds of $13.1 billion, completing all of the permanent financing needed to fund the Shaw transaction and replacing the interim bank commitments arranged to support the transaction in March 2021.

Additionally, we issued US$750 million of subordinated notes due 2082 with an initial coupon of 5.25% for the first five years in February 2022, further strengthening our balance sheet and diversifying our funding ahead of the Shaw transaction. Our total weighted average cost of borrowings at March 31, 2022, now stands at 4.2%, and our weighted average term to maturity was 12.4 years, compared to 3.95% and 11.6 years respectively at December 31, '21. Through these offerings and through our multi-decade track record of prudently managing our balance sheet and capital priorities, the bond markets continue to show their confidence in Rogers and their support for the Shaw transaction.

Finally, let me turn to our guidance, where we announced this morning that we are increasing our consolidated guidance ranges for Rogers on a stand-alone pre-Shaw basis for the Full Year 2022. We are increasing our total service revenue range by 2 points to an adjusted range of 6% to 8%, up from the 4% to 6% range provided in January. The increase is driven by the positive momentum we are seeing in our business on the back of the reopening and growth of the Canadian economy and the return to travel.

Next, Adjusted EBITDA guidance range is increasing to 8% to 10% from the 6% to 8% range announced in January, reflective of the better execution we are starting to see across most parts of our business. Lastly, free cash flow guidance now sits at $1.9 billion to $2.1 billion, an increase of $100 million from our previous guidance range of $1.8 billion to $2.0 billion, largely reflecting the flow-through of increased EBITDA growth.
Let me also provide some general transparency on the outlook for Q2.

© 2022 Rogers Communications Inc.
CHORUS CALL®

In Wireless, on a year-over-year basis, we believe service revenue and Adjusted EBITDA will continue at a 7% improvement. Wireless mobile phone ARPU growth should be in the similar range as Q1, as roaming revenue is expected to continue its recovery.

In Cable, we are targeting approximately 5% EBITDA growth for Q2. Additionally, we will continue to focus on improving our execution to drive better revenue growth, ultimately by improving our revenue profile while keeping our operating structure relatively flat, the additional revenues will flow more effectively to the bottom line.

Lastly, in our Media business, revenue will grow year-over-year, and Adjusted EBITDA is expected to be up year-over-year as well, but still remain modestly negative in the quarter.

Finally, on cash taxes and free cash flow, we expect our cash taxes to be approximately $145 million, down from Q2 of 2021 when they were $175 million and similar to what we saw in Q1 of 2022.

In closing, this is an exciting time for Rogers as we drive improved execution and continue to see the growth opportunities ahead of us. With exceptional assets, a strong balance sheet, and solid financial and operational performance underpinning the Company, we are in excellent shape as we prepare to get together with Shaw.

Let me now turn this back to Ariel to commence with the Q&A.

Operator:
Thank you. We will now begin the question-and-answer session.

Our first question comes from David Barden of Bank of America. Please go ahead.

David Barden:
Hi, guys. Thanks so much for taking the questions. I guess, first, I imagine you don't want to elaborate on the reports that one of the pillars of the Shaw transaction would be a sale of Freedom Mobile to Xplornet. But maybe you could give us a little bit of a framework for how to think about what the

© 2022 Rogers Communications Inc.

wireless landscape might look like post transaction for Rogers in terms of potential wholesale relationships, competitive landscape, and that sort of thing.

The second question, if I could. Glenn, I think you mentioned you've gotten back to maybe 90% of your roaming revenue run rate. If I remember correctly, when this all began, you kind of talked about it being a $500 million kind of hole that was created by the pandemic and then you've been slowly refilling. I know that there's been some rate changes. There's been some advancement in travel activity. I'm wondering if the $500 million number, which used to be the bogey, might be a bigger number now as we think about the trajectory for ARPU looking for the balance of 2022. Thanks.

Glenn Brandt:
Thank you, David, for the questions. Let me start with the second one on roaming and then turn it over to Tony to comment on the first. In terms of roaming, yes, there have been some rate changes, Dave. We're not being that precise in terms of where the recovery and the growth is coming from. I think we are excited to see the return to travel.

We're seeing masking and travel restrictions freeing up around the world while we continue to deal with COVID and with waves, and excited to see the travel coming back, both consumer as well as business travel. I think consumer as being earliest and first to recover, but certainly, we're seeing business travel come back. Both the volume as well as those rate increases will help to see further recovery. Over time, you would expect to see growth in that category, and I'm mindful of the fact that we're looking to get back to levels that we saw three years ago.

I would anticipate that with the volume of flying, as well as with the rates, we'll see further recovery going forward.

Tony? Maybe…

Tony Staffieri:
On the second part of your question, David, as you would expect, there's not a lot we can say given the

transaction is in front of the government bodies. We're not going to comment on any rumours that are

© 2022 Rogers Communications Inc.

out there, as you would expect.

In terms of competitive landscape, very similar. What I can reiterate are the Minister's comments that he expects to see a solution that continues to have a fourth robust wireless operator in this country. He said what he said, and so we continue to work with the government to close the transaction, and that's all I could really say at this time. We continue to be confident we'll close this in the second quarter, and that's it on that topic.

David Barden:
Okay. Well, thank you, and for what it's worth, I'm a Blue Jays convert, so looking forward to the rest of the season.

Tony Staffieri:
Welcome aboard.

Paul Carpino:
Thanks, David.

Next question, Ariel?

Operator:
Our next question comes from Jeff Fan of Scotiabank. Please go ahead.

Jeff Fan:
Hi. Good morning, everyone. A couple of questions on the Cable side, if I may. On the operating cost, Glenn, are you able to help us quantify some of the buckets that contributed to the margins this quarter? I think you talked about some renegotiation of content costs. Can you quantify that, and talk about whether that's a recurring item, or whether that's more retroactive?

It also sounds like you are executing on some of the cost synergies on your side on the deal. Wondering if you can help us think about whether you are actually taking some of those cost synergies. Even as we speak right now, before the deal closes, it sounds like you're running into the deal closing,

which is great, but wondering if you can help us understand how much of that is being taken versus how much is left post deal.

The final Cable question is just on the Video positive net adds. We haven't seen a positive net add in any quarter in many, many years, so wondering if you can just elaborate a little bit on what's helping you there and whether that is likely to continue. Thank you.

Glenn Brandt:
Thank you, Jeff. In terms of identifying the buckets and the nature of recurring and otherwise, I think there's a mix across a few categories in there, which we've touched on in my comments and in the release around, you're right, content rates as well as some of the people costs. The people costs, absolutely, will be recurring. The content rates to the extent some of those roll forward, obviously, will be recurring. I'm not going to put any precision around all of that, Jeff. But some will certainly carry forward. You can see not all of it where we talk about a 5% growth rate in Q2, and so that will give you some level of awareness around what portion is carrying forward.

In terms of our synergies, we're leaning in on a number of different categories. It's early days, but we are starting to look at preparing with our vendors and getting ready to lean in on day one, or earlier, where we can work with suppliers who understand the size of this Company when we come together with Shaw, particularly on wireline. Early days, but we're starting to lean in on that exercise hard.

On people costs, it's twofold. One is just looking at some of our operations and functions and making sure that we are focused on the right activities and that we are properly sized for that. It's also creating headroom for coming together with Shaw and starting the exercise of just making preparations, for when we do close on the Shaw transaction, that we're able to come together with a combined entity that has leadership coming from both sides, and so that exercise we've leaned in on hard. Again, more to come ahead of the transaction and following it, but you're seeing the benefits of that also in the cost reductions.

On our Video net adds, that really is coming from just a focus on execution and better execution around customer service, around the sales function, and focused on closing the sales. Still much more work to be done there. Robert has been a tremendous addition to the Company in terms of bringing a strong

© 2022 Rogers Communications Inc.

CHORUS CALL®

sales culture into the organization and helping us just redirect some of those efforts. I think all of it is underpinned, though, by what we believe is the very best Internet and television experience available to customers, and so, focused on customer service and sales execution around that where you have the best service, we should be doing better than we had been and then we are now, so more to come on that.

Jeff Fan:
Thank you.

Tony Staffieri:
Particularly pleased on the Cable margin performance. As Glenn talked about, a number of process and efficiency improvements that yielded the upside in margin, notwithstanding the additional investments we put into areas like our call centre, customer service, and a few others. In terms of sustainability, Glenn talked about our outlook for the second quarter, and I think that captures it.

On the Video side, as Glenn talked about, it really is a culture reoriented back to the Rogers premium brand, and so what we saw in the Cable business is a very good mix shift from our Fido brand Internet to our full suite of in-home Internet and entertainment, and so that's coming in very nicely. We've talked about it being a focus for us in terms of brand migration, and we're starting to see some strong early signs.

Jeff Fan:
Thank you both, and congrats on the quarter.

Glenn Brandt:
Thank you, Jeff.

Tony Staffieri:
Thanks, Jeff.

Paul Carpino:
Thanks, Jeff.

© 2022 Rogers Communications Inc.

CHORUS CALL®

Next question, Ariel?

Operator:

Our next question comes from Vince Valentini of TD Securities. Please go ahead.

Vince Valentini:

Thanks very much. First off, congrats. Great quarter. Let me start with a couple of a little clarifications. When you say content costs in Cable, I just want to make sure I'm clear. Are you talking just television programming, or would you consider like technology licensing fees to be a version of content as well?

Glenn Brandt:

Think of it along the lines of programming content costs, Vince.

Vince Valentini:

Great. Also, Glenn, on your 5% reference for Q2 relative to 13% we just saw in the first quarter, I think you guys are generally try to set a bar on your guidance at a level that you know you can hit, and hopefully you can deliver a positive surprise like you've done today. So, I want to make sure we don't read too much into that, because we can all do quick math. If the difference between 13% and 5% is considered to be nonrecurring items, that would be about a $40 million benefit to OpEx, I think, in this quarter. I don't think you're trying to imply that, are you?

Glenn Brandt:

I am trying to sort of set expectations that don't anticipate 13%, Vince. Inside that, and so we're saying 5% over to us to continue to focus on execution. We have a lot ahead. We are leaning in on customer service, we're leaning in on other things, and I anticipate those will drive revenues, but they are also going to impact expenses. That's all sort of rolled into that number, Vince.

Vince Valentini:

Okay. If I can have one last…

Glenn Brandt:

We are absolutely focused on delivering results and on performance.

© 2022 Rogers Communications Inc.

CHORUS CALL®

Vince Valentini:

One last Cable one, I just want to make sure I don't read too much into the 8 gig trial you've been talking about and moving to all fibre in a few places. It's not your intention to shift gears from DOCSIS and go all fibre everywhere on an accelerated basis, is it? You seem to be talking a lot about fibre performance as opposed to your DOCSIS speeds lately, so I just want to make sure I don't misinterpret anything.

Tony Staffieri:

Vince, I'll start off and then Jorge can provide some colour. But in terms of strategy, we are certainly not abandoning DOCSIS 4.0. This is going to be a terrific enhancement to what I would describe in places we have mixed fibre and coax, and so that initiative is working well. Jorge will talk about that in a moment. But there are many areas where we have complete fibre, and in those areas, we take advantage of GPON and the capabilities of fibre, and so think about them as working in tandem. We're just practical depending on the area where we have that type of cable or fibre.

Jorge Fernandes:

Hi, Vince. Thanks for the question. Well, that's exactly right. What Tony said, we have multiple tools in the toolbox that we use depending on where it makes sense: geography, age of the cable infrastructure, and so on. As you know, we've been investing in this infrastructure for a number of years now. What you're seeing is that investment beginning to show results and performance. We're very happy with the progress that we're making on DOCSIS, both in terms of what we have available on DOCSIS 3.1, and also with DOCSIS 4, the speeds of that we'll provide in the not-too-distant future.

Essentially, what you're seeing is a combination of all these capabilities come to bear on the market.

Vince Valentini:

Thank you.

Paul Carpino:

Thanks, Vince.

© 2022 Rogers Communications Inc.

Next question, Ariel?

Operator:
Our next question comes from Drew McReynolds of RBC. Please go ahead.

Drew McReynolds:
Yes. Thanks. Thanks very much. Good morning. Maybe a quick follow-up here just on the fibre question. Just for Jorge, perhaps. We often, as analysts, get asked what percentage of your targeted broadband footprint is fibre versus that hybrid. Are you able to, at all, kind of provide us with some context there?

Secondly, just a quick one on Media. Lot of moving parts, and great to see things normalize here, in particularly for the Jays. When you kind of look short and medium term, is there kind of a normalized margin we should have in the back of our mind for that segment?

Third and last, just on underlying mobile phone ARPU, great to see the 3% growth, obviously, a little bit more roaming ahead, and you spoke about some up tiering there underneath the hood, excluding roaming. Could you just unpack that a little bit more in terms of underlying ARPU growth, the key drivers, and to what extent you're seeing 5G drive some of that up-tiering? Thank you.

Tony Staffieri:
Thanks, Drew. Maybe I'll start with the last one, and then Glenn will talk about the Media margins longer term, and Jorge can talk about the fibre deployment strategy.

In terms of mobile phone ARPU, as you saw the uptick in 3% was largely attributable to the increase in roaming revenue. One of the things you saw underlying, and you'll see it play out in future quarters, is a very good migration in the first quarter, much like Cable, migration from the Fido brand onto the Rogers brand, in part due to our emphasis—in large part due to our emphasis back on the Rogers brand, and so that migration is happening nicely.
But importantly, when you look at the underlying data usage trends, we're back up to 30% to 50% year-on-year growth rates, and we've talked about it before as we move in and out of lockdowns and the

© 2022 Rogers Communications Inc.

pandemic, coming out of it, we see out-of-home usage spike up; and therefore, the use case for unlimited becomes much more compelling. So, that's what we're seeing play out in the marketplace, and so I'm quite pleased with that. At the core, the fundamental ARPU driver is going to be data usage, and the demand is driven by 5G higher speeds, much lower latency, etc.

So, that's what we expect to see play out in future quarters. But the reality is it will be overshadowed by roaming revenue increases for the next while.

Glenn. On Media?

Glenn Brandt:
Then maybe on Media, Drew, we're certainly in a position that we will deliver positive EBITDA for the year. We're still working through the recovery through COVID and the shifts that have occurred through COVID. But certainly, seeing the resumption of live sports and our portfolio of sports asset being second to none, we're seeing a strong recovery building through the first quarter and anticipate that will continue through playoff season for the NHL, as well as through the young season underway now for the Blue Jays. So, we're confident that we've got the best sports content available, and we're seeing a recovery and growth coming back from advertising around those products.

There's been a shift in just general population trends and work schedules over the last couple of years, as we all know. That's impacted some of the Media assets, particularly across our radio stations. As offices return to either a full-time or a hybrid model of coming back to the office, we anticipate that recovery will continue to build.

We are seeing, though, also, some positive recovery coming back from new advertising categories. Online betting certainly has created a new category for advertising revenues, and as have crypto currencies, for example, which pre-pandemic we would not have seen those as being as prominent as certainly they are now. They also lend themselves well to the resumption of sports programming, and we're seeing the benefits of that.

Overall, we will see positive EBITDA through this year. It's continuing to build.

© 2022 Rogers Communications Inc.

Jorge Fernandes:
Good morning, Drew, and thanks for the question on the fibre cable question. Think about it this way, our entire wireline, and frankly, wireless network, is enabled by fibre. So whether it's DOCSIS or GPON, really what you're talking about is the last mile. Everywhere else, we have fibre. The choice for the last mile is really where it makes economic sense to go with one versus the other technology.

As I said, we're very comfortable and very happy with the DOCSIS road map and the speeds and capabilities that it provides, and the choices of where we deploy one versus the other technology really depends on the age of the infrastructure. The passive infrastructure available to us as well, whether it's poles or ducts. So, that's how we make the choice, not so much on the capability that exists in the last mile.

Drew McReynolds:
Thanks very much for the additional colour. Thanks.

Paul Carpino:
Thanks, Drew.

Next question, Ariel?

Operator:
Our next question comes from Sebastiano Petti of J.P. Morgan. Please go ahead.

Sebastiano Petti:
Good morning. Thanks for taking the questions. I was wondering if you could update us—just shifting back to the Cable side, can you update us on the competitive environment in retail Internet? With the economy reopening, are you seeing a pickup in the competitive intensity versus your telco peers?

Related to that, the capital intensity spend in Cable stepped up this quarter, as we're discussing fibre-to-the-home deployments, you have network expansion efforts. As we're thinking about the go-forward in the remainder of 2022, when should we expect these investments in the footprint expansion, as well as what you're also doing on the fixed wireless side, to begin to flow through the KPIs?

Tony Staffieri:
Good morning, Sebastiano. Thanks for the question. I'll start with your question on Cable competitive intensity in the marketplace. It continues to be competitive, as you would have seen in previous quarters and previous years. I would say the landscape at least in part driven by us, but the market in general has pivoted from Internet-only to a whole home solution that includes video that we've talked about, and increasingly, you'll see smart home monitoring as part of that.

We would describe it as moving to whole-home, away from flanker to the premium brand with continuing promotions in the market on a neighbourhood-by-neighbourhood basis. Nothing's really changed in that context, and it's against that backdrop that our execution is performing well.

The second piece of it relates to and the reason we're so focused on that is, how are we doing in terms of penetration of homes passed. Glenn will talk about our CapEx outlook, but think about it broadly as we want to increase the number of homes passed, and we'll invest where it makes economic sense to do so. This quarter, you saw our homes passed increased by 3% on a year-on-year basis.

As we look to population growth within our territory footprint, it's growing at 5%, and so our expectation is to try to have Cable CapEx keep up with that demand, if you will, and ensure we execute on the right penetration rates for that increasing footprint.

Glenn Brandt:
I think that's right, Sebastiano. Look, we are looking to expand footprint where we can help broaden the reach of Internet connectivity further into rural Canada. You've heard us talk about that for some time, and that is reflected in the capital intensity that you've mentioned. I think in terms of driving the KPIs through that, you heard me say earlier, we are confident that we have the best Internet and television experience available to customers, over to us to lean in on investing in customer service and sales execution to help drive those KPIs.

I think we're seeing early signs of that. We've seen some in the first quarter, and we'll see that continue to build through this year. Certainly, we're focused on it. I don't think there the impetus is investing more

in capital spend; it's investing more in customer care and sales execution to drive those KPI results that you've mentioned. We're on it and seeing early signs of that. More to come.

On the Cable investment, you're going to continue to see capital intensity levels, roughly where they are right now, rolling forward. I think we still have more to do in terms of expanding footprint and building out that capability. We will be doing that across a national network as we come together with Shaw, and so we'll continue to make sure we have the best television and Internet experience across all of our footprint. Maybe, I'll leave it there.

Sebastiano Petti:
If I could quickly follow up, I think Jeff asked about it earlier, but you alluded to your comments executing against some of the synergies until the deal closed. I mean, expectations would still be—I think, in your prepared remarks, Glenn, expectations of post deal close still targeting that $1 billion synergies, so while you may be improving processing efficiencies into the deal close, post deal close on a pro forma basis of $1 billion is still how we should think about the synergy opportunity going forward.

Glenn Brandt:
Yes. Yes. Think of it in that context, over the 24 months post-closing, we're leaning in now, and if we can achieve that earlier, we will achieve it earlier. If we can go beyond that, we will. But think of it in the context of that in terms of the cost synergies, Sebastiano.

Sebastiano Petti:
Thanks again.

Glenn Brandt:
Thank you.

Paul Carpino:
Thanks, Sebastiano. Next question, Ariel?

Operator:
Our next question comes from Simon Flannery of Morgan Stanley. Please go ahead.

© 2022 Rogers Communications Inc.

Simon Flannery:
Thanks so much. Coming back to the deal expectations. You talked about the financing of the deal. You're outperforming on EBITDA and revenues. So, how should we think about the path of deleveraging here over the next couple of years? Are the targets still the same, or could you accelerate that? And what do you think in terms of asset sales as part of that mix?

It's good to hear we haven't really heard much about inflation or supply chain on the cost side. Obviously, efficiencies have helped there. But any updates on what you're seeing and how you're managing that? Thanks.

Glenn Brandt:
Thank you, Simon. I think in terms of the financing, that's done, and so we have our permanent financing in place. The only remaining moving part will be the settling out of remedy sale proceeds versus up to a $6 billion committed bank term loan we have in place to round out the $19 billion cash purchase price on the deal. So, that has settled out.

In terms of trajectory for de-levering, I don't think there's not really anything to update further than what you've heard previously. As I've just mentioned, the target remains $1 billion of cost synergies post closing over two years, I think that remains our target. You will see us de-lever on the back of the cost synergies; as well as revenue synergies that we drive, you'll see that fall through on higher earnings. But really, that's what we're executing around, Simon.

It's early days. We haven't yet closed the transaction, and so more to come on that as we execute. But you will see us de-levering, continuing at pace. The credit rating agencies certainly are focused on that. I have spent my entire career making sure that the credit rating agencies understand our capital priorities and how we fund ourselves, and so that file continues to be managed. We're satisfied and happy with where we are on early progress.

Tony Staffieri:
The second part of your question, Simon, in terms of macro supply chain issues, I would say they're at

© 2022 Rogers Communications Inc.

the margin. By and large, our supply chain has improved, and we're getting what we need. Frankly, the environment has pushed us to be better at planning and forecasting and getting what we need on a timely basis. Nothing there to report of significance.

On the inflationary cost pressure side, we are seeing that in some pockets. A great example would be on infrastructure build spend, particularly on the labour side, we see costs coming up. But we're managing it, and we'll figure it out within our total CapEx and OpEx spend structure.

Simon Flannery:
Thanks a lot.

Glenn Brandt:
I think one add-on for that, Simon, is with the sheer size that we will have with coming together with Shaw, it is helping us to manage delivery schedules better with vendors. We had their attention before. We certainly have their attention now with the volumes that we can drive and the work that we have in front of us.

Simon Flannery:
Makes sense. Thank you.

Paul Carpino:
Thanks, Simon. Next question, Ariel?

Operator:
Our next question comes from Aravinda Galappatthige of Canaccord Genuity. Please go ahead.

Aravinda Galappatthige:
Good morning. Thanks for taking my questions. Just wanted to take the Wireless ARPU discussion a little bit further. Obviously, looking beyond the near term. You talked about sort of 5G and sort of the continuing increases in speeds and lower latency. As some of the use cases sort of increase as well, maybe just talk about how you sort of look to monetize those increased capabilities. I know that in the market we're starting to see some tiering options as well for speed. Is that the direction you want to go

in? I wanted to get your take on how you see that going forward.

Secondly, maybe just sticking to 5G as well. On the B2B side, any kind of colour around when we can expect to see more materiality on that front, be it on the IoT front, or private/public MAC and so forth? I know you made a number of interesting press releases of late. Any additional updates would be helpful. Thanks.

Tony Staffieri:
Aravinda, thanks for the question. I'll start with the second part, in terms of B2B. We're seeing really good progress in terms of our focus there, particularly on IoT. We're seeing growth in attach rates on IoT. So, that's coming in nicely. It isn't part of our disclosure yet, but you can expect to see it post Shaw close, in terms of how we're progressing on that front. Not a lot we want to say on this call, it will be future quarters that you start to look at that when we have something meaningful to say that's relevant to the financial projections.

First part of your question related to how we think about ARPU drivers beyond just data usage. Absolutely, with the functionality that 5G brings in terms of not only speed quality but other functionality, and you see it in other markets, particularly in the U.S. So, you can expect us to have value propositions that start to tier it based on beyond just speed. What we're finding is speed is one thing, but customers are actually interested in other factors, like latency and other features, if you will, that they find of value. And so, I think you can expect us to produce that in the marketplace.

Jorge spends a lot of time sort of looking at usage patterns. Jorge, maybe you can provide a bit more colour on that.

Jorge Fernandes:
Yes. Thanks, Aravinda. The work we've been doing on 5G. Recently launched the 5G stand-alone core. We've certified all the top handsets in the market, and so what you're beginning to see with these new capabilities, and now, low latency really becoming a feature.

Also, as we start to light up the 3.5 gig spectrum, and that will be available for wireless enablement later this year, then you're really going to start seeing not just a combination of the more spectrum equating

to more speed, the stand-alone core that we've been able with low latency, and so now you're beginning really to see the possibility to enable features that will differentiate the network for whether it's network slicing for specific users like gaming, or even things like emergency services and so on.

We're now really beginning to have that sort of second phase of the network capability become a reality, and you'll see more and more services hitting the market as the devices become more pervasive in our customers' hands.

Aravinda Galappatthige:
Great colour. Thank you.

Paul Carpino:
Thanks, Aravinda.

Ariel, we have time for one more question, please.

Operator
Our final question comes from Jérome Dubreuil of Desjardins. Please go ahead.

Jérome Dubreuil:
Hi. Good morning, everyone. Thanks for squeezing me in here. First, congrats on the results. Really impressive, especially on the Cable margin front. We've seen a few definition changes. Would you agree that, in terms of ARPU growth, your definition change is slightly boosting the number in terms of growth that we're seeing? And if you agree with that, if you can quantify the impact on the change of growth.

Tony Staffieri:
Hi, Jérome. Thanks for the question. In terms of the change we made, what we wanted to do was align our disclosure with what you're seeing in the Canadian landscape on disclosure and focus on mobile phone, and take out some of the noise with respect to tablets, etc. The increase you're seeing of just over 3% on mobile phone ARPU, it's the same if you were to unpack it and do it on the way we used to do it, just postpaid SIM ARPU growth. That works out to 3% as well, so it's the same. Hopefully, we've

answered your question, but let us know if not.

Jérome Dubreuil:
Yes. No, sure, this does answer my question. Then the second one, if I may. I was wondering if we're starting to see some fixed wireless net adds in your Internet numbers.

Tony Staffieri:
You are, Jérome, and so as we stated last quarter, it's a big focus area for us. Jorge spent quite a bit of time throughout '21, and particularly in the fourth quarter, readying our wireless network to enable fixed wireless access in a number of new geographies for us. With that, we started executing on sales in the first quarter.

I would say that ramp-up was, relative to our core Internet offering, light and small in terms of numbers. But we are targeting significant ramp-up as we head into the second quarter and for the rest of the year, and it will be included in our Cable/Internet net adds. As we move forward, you'll see us disclose the difference between those two.

Glenn Brandt:
I think from a personal standpoint, and bear with the short commercial from me here, but I live on a farm road an hour west of our offices here, and over the last couple of years spent just about every day working from my home office. I don't live in a Rogers territory, and my wireline service just wasn't able to handle the data speeds very early on in March of 2020.

Kye Prigg, our Head of Networks, sent me a fixed wireless modem, a 4G modem. I still use that to run my home office, and over the course of two years of video conferencing calls, my service was interrupted a total of five calls through that two years. The service was exceptionally good.

This is going to be an important part of our expanding service in bringing them to rural Canada and helping to bridge that digital divide. We can't run wire everywhere. We'll run it wherever we can. But

fixed wireless is an excellent opportunity for some areas that right now are either unserved or very underserved, and so this will be an important part of that.

© 2022 Rogers Communications Inc.

Jérome Dubreuil:

Way to test the product. Thanks. That’s helpful. Congrats again.

Glenn Brandt:

Thank you, Jérome.

Tony Staffieri:

Thanks.

Paul Carpino:

Thanks, Jérome, and thanks, everyone, for joining us today. If you want to sit in on our AGM, it's available at the Investor Relations—at our Investor Relations site. Thanks for your time, and if there's any follow-ups, please reach out. Thank you.

Operator:

This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

© 2022 Rogers Communications Inc.

CHORUS CALL®