Rogers Communications Inc.
Third Quarter 2026 Results Conference Call Transcript

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Time: **8:00 AM ET**

Speakers:

Tony Staffieri
President and Chief Executive Officer

Glenn Brandt
Chief Financial Officer

David Naccarato
Head of Investor Relations

Operator:
Welcome to the Rogers Communications Inc. Third Quarter 2026 Results Conference Call.

As a reminder, all participants are in listen-only mode, and the conference is being recorded. Following the presentation, we'll conduct a question-and-answer session. To join the question queue, you may press star then one on your telephone keypad. Should you need assistance during the conference call, you may reach an Operator by pressing star then zero.

I would now like to turn the conference over to David Naccarato, Head of Investor Relations with Rogers Communications. Please go ahead, Mr. Naccarato.

David Naccarato:
Thank you, Gaylene, and good morning, everyone, and thank you for joining us.

Today, I'm here with our President and Chief Executive Officer, Tony Staffieri, and our Chief Financial Officer, Glenn Brandt.

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 2025 annual report regarding the various factors, assumptions, and risks that could cause our actual results to differ.

With that, let me pass the call over to Tony to begin.

Tony Staffieri:
Thank you, David, and good morning, everyone.

I'm pleased to report that we continued to demonstrate strong execution in our three lines of business during the third quarter. Against the backdrop of lower market activity, we continued to deliver on our commitments and our long-term strategy.

In the third quarter, we grew consolidated service revenue and Adjusted EBITDA each by 1%, reflecting continued positive momentum. We delivered industry-leading Wireless and Cable margins of 68% and

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59%, respectively. We significantly improved capital efficiency, reducing capital expenditures by 46% in the third quarter. This resulted in our lowest capital intensity ratio in well over two decades. We delivered record-free cash flow, generating over $1.3 billion. We further strengthened the balance sheet, improving our debt leverage ratio by 0.1 to 3.7 times.

On October 1, we reached a key milestone in our sports strategy, acquiring the remaining 25% stake in MLSE. Rogers now fully owns one of the most valuable collections of sports, entertainment, and media assets globally. These assets are appreciating but they are not currently reflected in our share price. Overall, we remain bullish about our plan to unlock Shareholder value and drive long-term growth.

I'll now briefly turn to our operating performance in our three lines of business, which Glenn will discuss in more detail. In Wireless, we stayed focused on financials versus chasing subscriber volume in what is typically a busy back-to-school quarter. While volumes were down for us and more broadly for the industry through the first nine months of 2026, we continued to execute with discipline in a less active market. We delivered 17,000 postpaid and prepaid mobile phone net additions. This was an intentional strategy to participate selectively in a lower-volume market.

Importantly, loading was on the Rogers premium brand, which is very consistent with our market strategy. We launched our back-to-school offers in late July and focused on compelling value propositions that delivered more for customers. This included satellite-to-mobile technology and priority network access on Canada's best wireless network. Although service revenue was down due to lower fee revenue, we again delivered EBITDA growth and industry-leading Wireless margins.

Turning to Cable, we saw our sixth quarter of positive service revenue growth. We once again saw margin expansion and Adjusted EBITDA growth. We added 10,000 internet net adds, which reflects a less active telecom market.

In Media, we delivered very strong results with revenue growing 9% and Adjusted EBITDA growing 12%, supported by a strong quarter for the Toronto Blue Jays. The Blue Jays had the highest overall attendance in the American League this season. Over 3.3 million fans attended games, and the team drew crowds averaging 97% capacity. This is the club's best attendance since 2016 and the third highest in the Major League Baseball this year. The Blue Jays' season reflects the value of our sports assets and the opportunity to grow them.

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Overall, we believe we have the best sports and entertainment assets globally. When combined with our strong national telecom reach, we offer a unique and compelling value proposition that none of our peers can replicate. This gives us a unique competitive position as we transform into a global communications, sports, and entertainment leader.

The next step in our strategy is to consolidate our sports, media, and entertainment assets and sell a minority interest to third-party investors. We continue to target a closing date for that by the first half of 2027. Investor interest in these assets is substantial as sports franchise valuations continue to rise. As an example, earlier this month, Sportico came out with their latest NBA franchise rankings, which had the value of the Toronto Raptors up 24%. These assets carry significant value, and together, these assets are worth even more.

We have a unique set of assets within one integrated ecosystem. Five professional sports franchises across five major leagues, all in one city. Sportsnet, Canada's number one sports media brand and streaming platform with the most valuable sports content, including national NHL rights, for the next 12 years. An iconic entertainment and sports venues in the heart of one of North America's biggest cities. We firmly believe the whole of Rogers is greater than the sum of its individual parts.

Our partnership with Live Nation to bring the Backstreet Boys to Canada is a great example of our One Rogers ecosystem. The 12-show residency next year is a new record at Rogers Centre. This model demonstrates the significant growth potential of our concert business. It also shows how we can leverage our assets to deliver a unique customer value proposition our competitors cannot match. This is all part of our plan to give Canadians more reasons to choose Rogers. By integrating our Sports Entertainment and Connectivity businesses, we're able to reward customers and create experiences that deepen loyalty and drive long-term value.

In closing, we remain committed to delivering on our priorities and to delivering for our customers, fans, and our Shareholders. It's an exciting time for our Company, and we look forward to delivering the next stage of growth. I'd like to once again thank the entire Rogers team for delivering on our priorities for our Company and our customers and our Shareholders.

I'll turn the call over to Glenn to walk through the financials in more detail. Glenn, over to you.

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Glenn Brandt:

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

Our third quarter results reflect another quarter of strong, disciplined execution across our three lines of business. In what continues to be a slower growth competitive telecom market, we have delivered consolidated service revenue and Adjusted EBITDA growth. Our continued focus on cost efficiencies grew Adjusted EBITDA margins across all three of our business segments. Wireless and Cable Adjusted EBITDA margins remain among global leaders at 68% and 59% respectively. Notably, five years ago, at year-end 2021, those margins were 63% and 49% respective.

Our streamlined capital investment priorities drove capital intensity to just under 10% in the quarter and 12% year-to-date. We have accelerated free cash flow, which is up 65% in the quarter and 34% year-to-date, reflecting the lower capital intensity. Leverage has improved to 3.7 times, down sequentially from 3.8 times in the prior quarter and from four times at prior year-end.

Perhaps most notably among those, we have substantially changed our capital trajectory and free cash flow profile to better navigate our regulatory and competitive telecom landscape. I'm pleased to report we are very well on our way to deliver on our 2026 targets. Our capital priorities remain on plan, our balance sheet and free cash flow are substantially improved year-over-year, and we are executing on our sports monetization strategy on schedule and at a time when sports properties continue to attract investors and capital at substantial valuation premiums.

Turning to each of our business units, starting with Wireless. Wireless service revenue decreased by 1% year-over-year, very predominantly reflecting the negative impact of the CRTC's decision to prohibit certain fees starting in mid-June. Mobile phone ARPU declined 2.6% to $55.22, as a result of the immediate in-quarter impact from the CRTC decision, together with the lagging impact of the competitive intensity from prior quarters, most notably Q4 and Q1.

While we have responded to offset some of the CRTC's impact, and let's keep in mind these fees were originally sized to recover real costs in our business, both service revenue and ARPU has been negatively impacted in the third quarter. Notably, excluding the impact of the CRTC's decision, we would otherwise be reporting modest positive service revenue growth and a better mobile phone ARPU decline that improved sequentially from the second quarter, and so more to do here.

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Importantly, our continued focus on cost efficiency expanded our Wireless Adjusted EBITDA margin by 130 basis points year-over-year to an industry-leading 68%. Rogers continues to find efficiencies driving Adjusted EBITDA margin and earnings growth despite the competitive and regulatory backdrop. These ongoing efficiency improvements reflect the scale of our operations and remain critical to driving earnings growth in our low-growth environment.

Turning to subscriber growth, our approach to the market remains disciplined and consistent. We are focused on base management, and we are leading with our premium Rogers wireless service plans rather than simply moving to discount prices to chase volumes. Our total mobile phone net additions were 17,000 in a relatively quiet back-to-school quarter, including 6,000 on postpaid. Postpaid mobile phone churn was relatively stable, up four basis points year-over-year to 1.03%. We view this modest uptick in churn to be temporary and reflective of the pricing actions we took early in the quarter rather than any permanent shift.

While we continue to face ARPU pressure, we are optimistic that the more balanced promotional environment can continue into the holiday period. It's early days, but we are seeing some constructive signs. As an example, the incoming ARPU for customers added in the third quarter and into October is up 8% year-over-year, translating to a higher lifetime value for those customers.

Moving to Cable, despite lower market activity, Rogers grew Cable service revenue for the sixth consecutive quarter, albeit modestly, as affected by the year-over-year impact from the December 2025 sale of our customer-facing data centers. Excluding the impact of the data center sale, on an organic basis, Cable service revenue grew by 1%. Cable-Adjusted EBITDA also grew by 1%, and our Cable margin expanded by 40 basis points to 59%. As noted earlier, that is up a remarkable 10 percentage points from five years ago, reflecting the national scale of our operations and our continued emphasis on driving cost efficiencies.

Finally, Retail Internet net additions were 10,000 this quarter, which was down year-over-year, reflecting the smaller market and our disciplined emphasis on premium service versus volume and price discounts.

Turning to Rogers Sports and Media, Rogers saw another quarter of very strong performance, helped by higher game day attendance for the Toronto Blue Jays, who led the American League in total

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attendance during the 2026 regular season. Media revenue grew by 9%, and Adjusted EBITDA was up 12%, to $84 million. Media revenue through the first nine months of the year was roughly $3 billion, up 44% year to date, and up 6% on an organic basis.

Our Sports and Media assets continue to show very strong resilience and scale, notwithstanding a softer advertising environment. While we are all disappointed our Toronto Blue Jays were not able to repeat last year's playoff success, we played competitive meaningful baseball games through the end of the regular season, and Blue Jays fans showed up for all of it, both at Rogers Centre and on Sportsnet and Sportsnet+.

Turning to our sports assets more broadly, we are extremely proud of the sports holdings we have acquired over the last quarter century, and we are excited for our opportunities ahead to drive added premium value, both for Rogers customers and Shareholders. Our portfolio of sports teams, media, and live entertainment venues is among the very best in the world.

Now that we have completed the acquisition of the remaining 25% stake in MLSE, Rogers on its own owns a portfolio of sports and media assets that are profitable, growing, and have global appeal. Our team ownership spans five major North American sports leagues, including the NHL's most valuable franchise, and the only Canadian NBA and MLB teams, uniquely attracting a large national audience and devoted fan base.

Beyond the teams, we own stadiums for sports, concerts, and live entertainment, and we own the content rights and media platform, directly connecting to fans and telecom customers from coast to coast. We are now actively engaged on the next phase of this file, pursuing the sale of a minority interest in our consolidated Sports, Media, and Entertainment assets to third-party investors, targeting completion in the first half of 2027. Sports franchise valuations are increasing, and we remain committed to unlocking what we view is a very significant unrecognized value for these assets in our RCI share price. Proceeds from the sale will be used to pay down debt.

Now, turning to our consolidated results, total service revenue and Adjusted EBITDA were both up 1% in the quarter, reflecting strong media growth, more modest telecom performance, and continued discipline on costs across all three segments. Year-to-date, service revenue and Adjusted EBITDA are up 6% and 3%, respectively.

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As mentioned earlier, capital expenditures decreased substantially in the quarter, down 46% to $524 million, and capital intensity down 840 basis points to 9.6%, one of the lowest capital intensity ratios amongst our peers and certainly the lowest I can recall across my three-and-a-half decades here. Among other initiatives, our lower capital expenditures in the quarter reflect our targeted sale of certain network projects, which are no longer a priority. This substantially lower spend resulted in Rogers generating significantly stronger free cash flow in the quarter of approximately $1.4 billion, up 65% year-over-year. Free cash flow was also positively impacted from lower cash taxes. Year-to-date free cash flow is over $3.1 billion, up 34% year-over-year.

Our balance sheet and liquidity remained strong at the end of the third quarter, ahead of funding the purchase of the remaining MLSE stake on October 1. Leverage was 3.7 times, down 0.1 times from the prior quarter, and down 0.3 times since year-end 2025. Our available liquidity was $8.3 billion, which included $3 billion in cash and cash equivalents and $5 billion under our bank and other credit facilities.

Importantly, these amounts do not include the $5 billion of additional bilateral bank credit facilities arranged to fund our October 1 purchase of the remaining MLSE stake. It does, however, include cash we are holding from our hybrid securities issued in September 2026 to fund and replace our December maturity of similar securities.

Net income decreased by approximately $5.3 billion this quarter, driven by a $5 billion non-cash gain recorded in the prior year relating to our original 37.5% interest in MLSE as a result of our purchase of BCE's interest in MLSE in July 2025.

Finally, as noted this morning, we have reaffirmed our full 2026 outlook for total service revenue growth, 3% to 5%. Adjusted EBITDA growth, plus 1% to plus 3%. Capital expenditures, $2.5 billion to $2.7 billion, and free cash flow, $4.1 billion to $4.3 billion.

To summarize, we remain focused on strengthening our balance sheet as we advance our initiative to surface Shareholder value through the monetization of our Sports and Media assets. This is an exciting time for Rogers, and we continue to meet our commitments on schedule while driving strong performance in a challenging environment. I want to thank our entire team for their ongoing commitment to Rogers, to our customers, and to our sports fans across all of our businesses.

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I will now turn the call back over to Gaylene to begin the Q&A session. Thank you very much for your time and attention.

Operator:
Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You'll hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, press star, then two.

The first question is from Drew McReynolds with RBC. Please go ahead.

Drew McReynolds:
Yeah, thanks very much, and good morning. Two questions for me on wireless. First on the wireless ARPU trajectory, just with respect to the CRTC fees, wondering, I guess, Glenn, if the impact that you saw in Q3 changes in Q4 and into next year. In other words, are we seeing the full run rate impact? Then related to that, obviously, the industry is pushing back here. Just wondering, following the submissions and the replies to those submissions that went in in September, just what kind of timing you expect to get something out of the CRTC on that.

Then second question on market expansion in wireless, just wondering if we can get an update on the rate of penetration gain the market is still seeing. Obviously, we're all hopeful in Canada for more population growth to resume maybe as early as next year, but just would love to get an update on the penetration side. Thank you.

Glenn Brandt:
Thank you, Drew. On your first two on the ARPU trajectory and the impact of the CRTC decision, I'd say the full run rate for the decision was felt in the quarter. These fees, and you heard it in my comments, were initially designed to recover specific costs within our business. We're now moving back to finding alternatives for covering those costs, shipping costs, for example, as just one example. That effort remains ongoing. We have some of those initiatives identified in quarter, more still to do.

I'm not going to speak on behalf of our peers. I think they're likely undergoing similar exercises. In terms of timing or that, we're carrying on looking to manage our business, manage our costs and cost

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recoveries and offsets, or elimination reduction of those costs so that we continue to find opportunities to earn and grow our revenues and earnings.

Then on your penetration and market expansion, I'll turn it over to Tony.

Tony Staffieri:
Sure. I'll pick that up. Good morning, Drew. In terms of wireless penetration and what you're really getting at sort of size of the market and how we're seeing the growth in that. For the first half of the year, we saw the total market of net adds down about 30%. Our estimate in the third quarter, including the back-to-school period, it's probably higher than that. Probably our estimate in the 30% to 40% range down year on year. As we look to the composition of that, penetration seems to have softened. Traditionally in the 2% to 2.5% range, our sense penetration is more in the 1.5% to 2%. Then of course, on population growth, essentially flat.

When we look at and try to unpack the slowdown in penetration rate, we owe it really to the type of promotional activity in the third quarter. As both Glenn and I said in our opening remarks, our focus strategy was on value proposition, other than just price discounting alone. We steered away from that, and it was an opportunity for us in a much lower market volume to develop our strength in marketing and selling and retaining customers with value propositions that were, as I said, outside of just pricing.

We indexed two hardware promotions that were tiered based on the tier of the customer, in terms of the plans that they came in on, or for the ones renewing in the base, based on the plans that they were at. That was very successful for us. The promotional activity was largely funded by the OEMs, and you see that in our equipment margin continuing to be strong and positive.

That's how we're seeing the size of the market as we look to the fourth quarter. You can expect our strategy on promotional activity to be consistent with what we did in Q3. We were pleased with the outcome that we had. As you heard from Glenn, a focus on ARPU is clearly a priority, and it was good to see the loading coming in on the Rogers brand almost entirely, with incoming ARPU up year-on-year 8%. The best year-on-year ARPU growth on incoming that we've seen in a very long time.

Drew McReynolds:
That's great. Thank you very much.

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Tony Staffieri:
Thank you, Drew.

David Naccarato:
Thanks, Drew. Next question, Gaylene.

Operator:
Next question is from Batya Levi with UBS. Please go ahead.

Batya Levi:
Great. Thank you so much. Can you provide maybe your thoughts on how you think Starlink can change the competitive landscape and connectivity in Canada, focusing on the broadband side and the mobile side. Maybe any update of what you're seeing from your partnership to cover the white spaces with them? Thank you.

Tony Staffieri:
Thanks for the question, Batya. I think there are two parts to your question. One is on the internet side, and then on the Sats and Mobile. I'll start with the internet side. Starlink has been operating here in Canada for quite some time, and we see them participating largely in rural markets where there aren't other alternatives. We see the market share being very small on the home internet side. In many respects, we partner with them in selling the product to small businesses, for example, where they provide the connectivity that otherwise is not available. On that, we provide our business application services to that.

In terms of the Sats and Mobile, we've had a very good partnership with SpaceX and continue to, and that's grown over several years of working together. We work closely with them in the satellite technology, so we understand it, we understand its evolution, and we understand where it's going. We also understand the product from a customer perspective, having it in market with the capabilities it now has for almost a year now. We understand its use cases, its limitations today, and where the use cases can evolve to. We're proactively deepening our collaboration with Starlink on Sats and Mobile connectivity, and Rogers intends to lead Canada as we work with Starlink Mobile to bring expanded coverage and capability to Canadians.

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I'd summarize by saying our approach here in Canada that we've taken is different than what you're seeing in the U.S. for a few reasons that are particular to Canada and unique to Canada. First off, from a technology standpoint, the spectrum quantity that's available in Canada is much less than that in the U.S., and the spectrum bands available at the most recently acquired U.S. Spectrum is extremely limited in Canada or not available. That spectrum band, as some of you have written about, is largely used in the public sector. We have a different population size, much smaller here in Canada, and the distribution is a lot different with a concentration in key urban markets. We have a different regulatory framework here with foreign ownership, which includes ownership of Spectrum, and there's a process for that.

Then finally, in working with SpaceX and what they've said publicly in their filings with ISED, they intend in Canada to work with wireless operators. As I said, we continue to work well collaboratively on that product, and we see it as continuing to be a complementary evolving product to our wireline and terrestrial wireless services.

Batya Levi:
I appreciate that. Thank you.

David Naccarato:
Thanks, Batya. Gaylene, next question, please.

Operator:
The next question is from Aravinda Galappatthige with Canaccord Genuity. Please go ahead.

Aravinda Galappatthige:
Good morning. Thanks for taking my question. A question for Glenn and a follow-up for Tony. My question for Glenn is on the accounts receivable. I know you had alluded to the possibility of securitization. I was wondering if there were any updates that you could share on that front and what the impact could be on the financials and the cash flow.

Then secondly, for Tony, obviously, you've been very open and transparent about your plans with Rogers Sports, but I know that in the past, you've alluded to the possibility of a subsequent transaction down the road, as long as you maintain control with your capital structure. I just wanted to clarify, is that

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still your high-level thought process, recognizing that you won't be able to give us specifics at this point? Thank you.

Glenn Brandt:
Thank you, Aravinda. I'll start on the securitization. We're getting very close, close enough that, in fact, if you'd asked me this question two or three weeks ago, I would have hoped that we'd have it in place in time for this call. We have a proposed facility arranged with our financial institutions that are involved. Because this is on bank credit card receivables, it needs to be vetted with OSFI. It is with OSFI now. I don't mean these comments to do anything other than just identify where it is. I'm certainly not throwing them under the bus. They've had the file and are reviewing it back and forth. I'm expecting a timely response in the coming days.

Once we've satisfied all of that review and everything we need to do, I expect that'll get funded. I anticipate being able to fund that in the fourth quarter. As soon as it's available, we will start issuing securitization proceeds to get some of that working capital back to our CI. We're making progress and we're close.

Tony Staffieri:
Aravinda, on the second part of your question relating to sports, as I said in the opening comments, it's a really exciting time for us as we consolidate our sports and entertainment holdings. The value continues to show strong appreciation both in third-party valuations like Sportico and Forbes valuations, which is good to see. But beyond just the sports teams themselves, we continue to see good, solid growth in Sportsnet, both in terms of top-line and online subscribers. Good, solid growth there. When you use market valuations for that business, a very material part of our sports and entertainment franchise.

When you look at the concert business, it was already a very solid, profitable business for us, both through the venues we own like the Rogers Centre directly as well as through a partnership with Live Nation. That continues to grow double digits for us. We're really pleased with that. Again, when you look at valuations for the live business that are out there and put it to our EBITDA, it's also a very material part of that.

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We have businesses that are growing very strongly. That's very good to see. The team's done a really good job out of the gate in utilizing the value-add of some of those. You would have seen some of the concerts Backstreet, in particular, pre-sales for Rogers customers, where up to 30% of the tickets were available for our customers. It was good to see that the customers who wanted tickets got tickets for Rogers customers, by and large. That was good, and a number of other initiatives that I won't get into on this call. But it's good to see the synergies coming through, not just in cost, but the revenue and value-add synergies across our businesses.

We've been clear that our intent is to sell a minority portion of our Sports and Entertainment business. We're going through that process now. It's early days, but as I said in the comments and Glenn said, we expect to conclude that in the first half of next year. We expect to see strong valuations for that. The intent is to take those proceeds to pay down debt. It's as simple as that. We've always been clear on our strategy. What we do down the road, in terms of further monetizing, we'll leave that for another day. But that's our focus right now, is step one on monetizing that asset.

Aravinda Galappatthige:
Thank you.

Glenn Brandt:
Thank you, Aravinda.

David Naccarato:
Thanks, Aravinda. Gaylene next question please.

Operator:
The next question is from Maher Yaghi with Scotiabank.

Maher Yaghi:
Great. Thank you for taking my question. I have one on Wireless and one on free cash flow. I'll start with Wireless. Obviously, you discussed the low loading in the quarter, but I'm trying to split the benefit of the focus on promotional discipline from the churn metrics that you guys reported, which showed some increase year-on-year, small but still. I'm trying to figure out when will we see the impact from

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your promotional discipline on the type of customers you're loading in the churn metrics as a result of this focus? Are you willing to let go of some low-value customers?

Glenn Brandt:
Okay, let me start on that. When we start seeing the impact of our discipline, I think the first stat I'd point to, and I know you're asking about churn, the first stat I'd point to is the plus 8% growth year-over-year in the ARPU in, which is one of the most promising signs we've seen in a very long time on the traction and the impact of that discipline. On our churn being up four ticks to 1.03%, you're right, it's up a little bit. We had a fairly substantial price action that we took in the quarter. Candidly, I think holding that to four ticks, we never want to see churn, but putting through any price change for customers tends to create some activity. In a period where it's also back to school, where there's already activity, holding that to four ticks on the churn, we were satisfied, I'll say, not pleased, but satisfied with that outcome. You see the effect of that in the ARPU in, as I said earlier.

Overall, I think on balance, we were pleased with the traction that discipline is having. It only works when there's discipline across the entire sector, and we all saw another example of that in the first quarter. We're responding the way we can with our strategy and our approach to the market. We're pleased with on balance where it's all come out in the quarter. I'll pause there.

Maher Yaghi:
No, that's very helpful, Glenn. Thank you. It explains a few things. On the free cash flow, obviously, there's results from the promotional discipline that you're having and other actions you've taken to reduce CapEx. How sustainable is this free cash flow generation? Even if I exclude some of the asset disposal you did in the quarter, they were still very strong. Looking into 2027, how are we thinking about the cash conversion and sustainability of these strong cash flow results?

Glenn Brandt:
It's a good question. If I look at the quarter, the asset sales serve two purposes that are directly related. One is we're exiting some capital that's been invested in some of these projects that are no longer priorities. It's taking some capital out that's already gone into the projects. As importantly, if not more importantly, it is taking out future spend that would have to be invested into those projects through to completion. Those will not hit our 2027 or beyond capital expenditures or even in the fourth quarter. It

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both helps the current free cash flow and intensity, and then going forward, those are projects that were under substantial builds that somebody else will be taking on.

In terms of our earnings and in the businesses retained, I don't expect these to have any substantial impact in driving revenue and EBITDA and free cash flow in that way. Then on the capital spend going forward, I've been fairly clear in my comments through each of the last couple of these calls that this new guidance run rate for 2026, I'm not guiding 2027 yet, but I've been clear that you should be using this guidance as an indication for your expectations for the coming year or the near term over the coming years.

Maher Yaghi:
Okay, great. Thank you.

Glenn Brandt:
Thank you, Maher.

David Naccarato:
Thanks, Maher. Gaylene, next question, please.

Operator:
The next question is from Jerome Dubreuil with Desjardins. Please go ahead.

Jerome Dubreuil:
Hey, thanks everyone for taking my questions. Two for me. First one, wondering if there's a policy or an internal view on the way that you expect to deal with agentic shopping going forward. Maybe if you can comment if you intend to block access or embrace it, essentially. Then the second question, Glenn, you mentioned a couple of times during the quarter that the team is looking to give a bigger part of the network build to other parties. What part of the CapEx guidance reduction this year is due to this shift in build strategy? Maybe if you can elaborate on the rationale for the shift. Thank you.

Glenn Brandt:
I'll start with that second part, Jerome. The largest part of our reduced capital spend, I'll say, is with deprioritizing some projects. But there's not an insignificant portion of that that is coming from either

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taking a longer time to execute on sustainable or sustained projects and initiatives. Both those measures are contributing to the reduction. I'm going to choose not to enumerate the relative share of those. They are both a significant portion of what makes the reduced capital spend in 2026.

Tony Staffieri

Jerome, on the second part of your question, agentic AI, obviously a big topic across different parts of the business. But I think your question was specific to agentic AI shopping from the customer standpoint. I would say we continue to look at it. We haven't come down with a concrete internal policy. We continue to see how the customer uses it. It's certainly helpful from a price standpoint, but we'll see how the intelligence of it evolves to capture the value proposition for the customer. The tool, the capabilities, has a ways to go. I have no doubt it'll evolve quickly over time. But we continue to watch it, Jerome.

Jerome Dubreuil:

Great. Thank you.

Glenn Brandt:

Thank you, Jerome.

David Naccarato:

Thanks, Jerome. Gaylene, next question, please.

Operator:

The next question is from Vince Valentini with TD Cowen. Please go ahead.

Vince Valentini:

Hey, thanks very much. First of my two questions is on the equipment margin. It seems to be getting bigger. It looked like about 12% positive EBITDA margin on your equipment revenue this quarter, and it was about 5.5% in Q3 last year. It's a two-part question. Is this a sustainable trend? Secondly, is this perhaps some of the activation fee stuff where you're getting your tactics to get back some of that money shows up as equipment revenue if it's a delivery fee or something, as opposed to traditionally it would have been in service revenue?

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Glenn Brandt:

I'm going to answer the second part of that with a very quick and succinct no. It's not looking to recover service revenue or that. It's a continuation of what we've been looking at all along, which is use OEM subsidies and our own promotion to help get handsets into the hand of our customers, but to try and make sure that we're carrying as much of that cost, and you see it in the margin as we can in the OEM subsidy portion. It'll drift up and down over time, depending upon the degree of promotional activity in the quarter. I suspect it'll be a higher margin in lower activity quarters, which is what you're seeing, Vince.

Vince Valentini:

Okay. Thanks, Glenn. Second question, going back to the ARPU. I appreciate the churns up a little bit because of what you call pretty meaningful price action you took, but a churn of 3% for the quarter, 1% a month, it means 97% of your customers didn't leave after the price increase. Can you give us a more total picture of ARPU? The 8% sounds great, but we can all do the math. You had pretty small gross adds this period, so the ARPU in is on a pretty small base. Should we not be seeing positive ARPU trends across the entire 11 million base of postpaid subs if you did a back book price action, plus you're seeing better ARPU in? I'm hoping you can give us a bit more, given how weak the sub adds are, I'm hoping you can give us a bit more colour on when you would expect total reported ARPU, excluding the CRTC stuff, to start to reflect these positive trends and turn back to positive.

Glenn Brandt:

Sure. Keep in mind, the largest impact on ARPU in the quarter was on the CRTC decision that came in just before the start of the quarter, late in June or mid-June. We had, so far, through to the end of September, it had three months to provide a response and reflect it in quarter. Now, there was some warning prior to it being in place, but we haven't had a long time to adjust in operations. You can't adjust in Q2 when the setup fees are still being charged with starting to put in place alternative methods.

I reiterate, the purpose of those setup fees was exactly that, to offset costs of account changes or new accounts coming on. The charge disappeared from the CRTC decision, the costs don't. You have some early initiatives being implemented in the third quarter to help recover a portion of those costs that are reflected in ARPU, but they don't fully offset the impact of the decision. That's why, in my comments, you heard me say there's still more work to do here.

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We continue to look to find ways to either eliminate or reduce those costs. We're completely happy with that decision. The task here is to drive earnings, not revenue. I'm very happy to drive better margins. You see that in the results. But where we can't eliminate the costs, it's to try and offset them. Still work to do there. The 8% increase year-over-year in ARPU in, we're pleased with. You are always going to see some difference in pricing on the total base relative to the new pricing in the market. It shifts over time. But we're pleased with the progress on that 8% bump.

Vince Valentini:
Thank you.

Glenn Brandt:
Thank you.

David Naccarato:
Thanks, Vince. Gaylene, next question, please.

Operator:
The next question is from Sebastiano Petti with JP Morgan. Please go ahead.

Sebastiano Petti:
Hi, thank you for taking the question. I just want to clarify something. As you think about your CapEx reduction year to date and your targets and the soft guide as we look out into 2027, how much of that includes additional asset sales that will be netted out against CapEx? What is the true underlying capital reduction that's occurring?

Tangentially related to that, in a world where we're seeing cable come under pressure because of the threats of Starlink came up earlier, but as well as just the mature market in Canada because of mature market as well as pretty deep fiber and cable businesses running challenges regarding the HFC plant. How confident are you that this reduction in capital spend is not going to impair your long-term growth? Why is now the time in order to pull back on investments when there's perhaps some overarching macro factors that might be impacting your business, both on the telecommunications side and mobile as well as on the cable side? Just trying to understand the impacts of how comfortable you feel about

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the sustainability of the CI reduction and if this is more just, we could see this being reversed over the next several years. Thank you.

Tony Staffieri:

Sebastiano, I'll start with the latter part of your question in terms of the state of what I would call the wireline or cable industry side of it. Contrary to the way you described it, we continue to have industry-leading wireline performance across our network, whether it's fiber or through the Cable Plant, as we continue to work through mid-split installations that continue to improve performance and we have third-party validation of that.

The next step, and we continue to invest in expanding the network, housing starts as well as business expansion, industrial parts, things like that. Modest growth, but obviously on the slowdown, that's always cyclical for sure, but the other part for us is focusing on rural expansion and that's been through wireless for the most part in terms of connectivity and increasingly through our partnership with SpaceX on satellite. The use case implications for us in the enterprise space, IoT for example, is tremendous and so we see a lot of growth opportunity there.

Against that backdrop, in answer to your question, you know, do we see the CapEx envelope as being the right size? We very much do. We're focused on capital efficiency. We're focused on projects that are going to yield the right returns, particularly given the regulatory environment and implications that we're under. We're being very surgical and thoughtful to make sure that our capital spend envelope gives us the ability to lead on network performance and on the things that matter most to our customer and we're comfortable with where we're setting it at.

Glenn Brandt:

Then on the first part of your question, Sebastiano, where you asked about the CapEx reductions and how much of that will be asset sales, I'll point to the third quarter first to just put it in context. I'm indicating a guide of 2.5 to 2.7 you should count on going forward. If you were to just take the third quarter sales or the third quarter CapEx rather and annualize that number, you'd come up to somewhere in the range of $2.1 billion dollars. That's the impact of offloading those projects that are no longer priorities.

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Q3 is a little bit understated relative to what that guide would be for the further or the outer years, '27 and beyond. I expect you'll see some more of that in Q4. Those are projects that we are no longer earmarking for ongoing operations. We're exiting them. They lay off some of the expense that we've put in life to date, and they get rid of future spend in future years. But to be clear, when I'm indicating what's expected for CapEx in 2027 and beyond, I'm not intending to get there as a result of, well, we'll spend at this level, but then we'll just have to find things to sell. We're investing, as Tony has said, in the projects, in the priorities that are an ongoing part of our business and making up that number. Does that help?

Sebastiano Petti:
Yes, it does help. I think, I mean, Tony, the industry-leading performance, that is the crux of the question, the sustainability of that, right? You've seen U.S. cable and some other markets be a little bit more challenged, and that's kind of the genesis of the question. I appreciate the response. Thank you.

David Naccarato:
Thanks, Sebastiano. Gaylene, next question, please.

Operator:
The next question is from Stephanie Price with CIBC. Please go ahead.

Stephanie Price:
Hi. Good morning. Thanks for taking my call—questions. The first one is just on the Wireless side, on the mix of pre- and postpaid nets in the quarter. You mentioned a focus on leading with premium plans, but it did skew towards prepaid nets this quarter. Hoping you can walk through the puts and takes here. Then on the second question, Glenn, to keep a margin to continue to increase here, just curious if you could talk a little bit about what's driving the increase at this point and relate it a bit about the opportunities that Rogers could see using AI to improve internal efficiency more broadly. Thank you.

Tony Staffieri:
I'll start with the first one, Stephanie. In terms of the mix between pre- to post, I wouldn't necessarily focus on an absolute number or ratio in any particular quarter. As we focused on price discipline and promotional discipline in the third quarter, we were very conscious on postpaid, our entry points being at $45 and above. As I said, the vast majority came in on the Rogers plan with entry points at $55 to

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$60 and above. Indexed to Adeline type of promotions, you would have seen our back-to-school offer, as far as price goes, was limited to $5 off at most with the right student credentials.

What that did was create a gap between the entry point on postpaid and where some of our prepaid plans were on. You saw a bit more volume on the prepaid side. I wouldn't read too much into it, other than something specific to back-to-school in terms of relative volumes. We continue to focus on migrating prepaid to postpaid. I should add that a lot of the prepaids more and more look, act, and feel like postpaid in the sense that there's a top-up credit card on file, and they just automatically renew. Maybe I'll leave it at that in terms of that part of the question.

Glenn Brandt:
Then, Stephanie, on your question on cable margin, the increase in our cable margin over the last five years reflects, first off, just the consistent intensity with which we go after the costs in our business. It's not a new phenomenon that this is a relatively low-cost business, even in times of growth, population growth, and what have you. Wireline is a mature business.

The largest impact we've seen, though, is over the last three years where we have substantially more scale. We're now coast to coast, the largest operator amongst cable operators, and that has continued to pay in terms of being able to find opportunities to reduce costs, whether it's larger volumes going through vendors and so able to negotiate tighter costs. Whether it's just on that scale being able to move different processes as we ingested or integrated the Shaw operations. In some cases, we were doing things, helped reduce some of their costs. In other cases, the reverse was true, and so we found the best of both practices.

Then, finally, we've had a substantial reduction in costs as a result of looking to using more resourcing of our call center work offshore, and that was a substantial reduction that we're still seeing some benefits of that in terms of the capabilities of the offshore providers, but certainly we've seen a lowering of costs from that.

On AI, we're really just at the start of that, and frankly, I'd suggest that's true for most of my peers in all sorts of different sectors, not just the one I operate in. AI is a relatively new technology, and all of us are figuring out where to apply it, whether that's on network management in our case or whether it's on

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taking costs out of the business, better service of the customers, lower time to assess the customer's issues. Those are really, I would say, at a starting point.

Stephanie Price:
Thank you for the answers. I appreciate the colour.

Tony Staffieri:
Thank you, Stephanie.

David Naccarato:
Thanks, Stephanie. Gaylene, we have time for one more question.

Operator:
The final question is from Matthew Griffiths with Bank of America. Please go ahead.

Matthew Griffths:
Hi. Thanks for taking the question. Within the Cable segment, I was wondering if it would be possible to talk about the broad Internet performance as it relates to revenue contribution and separate from what you're experiencing in the decline in video and satellite and home phone.

Then just a clarification on the ARPU in comment. I'm assuming you're using ARPU probably purposely, but I wanted to double check that it's on an apples-to-apples basis with how you're reporting rather than just maybe a component of the monthly recurring revenue or something like others may define it.

Just finally, on the churn as it relates to the price action, should we expect an impact of that going into Q4 or are you suggesting that the impact of limited to what you experienced in Q3? Thanks.

Glenn Brandt:
Let me start with—in no particular order, I'll start with the ARPU in. The change that we've—I think you're referring to where we've identified the ARPU in is up 8% year-over-year. It's calculated on a consistent basis. The revenues coming in from those subscribers is adding 8% more than the revenues coming in from the prior year. All of that helps to support what's in our revenues reported overall for the

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coming year. The impact of things like the elimination of set-up fees. Obviously, those subscribers coming in are not going to be levied in the third quarter, those set-up fees that they—many of them would have paid in the prior year.

You've got to look at the components a little bit in isolation, Matt. The largest impact on our revenues, though, are the service charges that we're able to charge our subscribers. We're not in the business of charging cost offset fees. We're in the business of selling plans and subscriber services. By far, the largest impact on growing revenue is growing subscribers and being able to charge competitive prices but being able to charge for the value of the services delivered. Hopefully, that helps.

In terms of your question on churn, both Q3 and Q4 are active promoting quarters. I'm not going to start guessing and guiding in the third week of October what we're going to report for the quarter. This is a very important quarter seasonally in terms of subscriber activity. I would expect, based on the volumes we saw through back-to-school, that we may well see a more tempered seasonal period than we have seen in prior years in terms of volume, certainly, and in terms of maybe promotional activity.

The churn level that you saw in the third quarter was reflective, as I said, of that price action taken in the third quarter. That activity tends to be fairly quick in terms of response to price actions, but there may be some of that that still follows through in the month of October or into the fourth quarter. I wasn't particularly fussed by understanding the dynamics that drove the four-point increase in Q3. I wasn't particularly fussed in the Q3. I'm certainly not concerned with where that impact might be felt in Q4.

Then you're asking on trying to delineate between activity or performance of Internet versus video and satellite. Our broadband services are one of a few key services that we sell in our Residential business, and I'm not going to start trying to parse the revenues from one to another. Many broadband customers pay a service fee for broadband access only and are very important customers to us in driving service revenue because they enjoy streaming services, and that's what we were able to provide to them. On an earnings basis, their revenues will be lower, but our costs are lower because if they're only taking in broadband, then we don't have the offset for the media content costs on that account.

Other subscribers are taking our broadband services and a full suite of services over our Xfinity product, and those are also extremely important customers to us. They have a higher cost because of the media content costs, but they have a higher revenue profile. We're not here to try and figure out

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which customers are any more or less important. They're all critical, and you can see from our margins and from sustaining revenue and earnings growth in a sector where many others are not able to, most others are not able to, I think we're executing well.

I'm going to pause there. I appreciate the question, but I'm going to give some context to it without directly answering it.

Matthew Griffths:
No, I appreciate that. Thanks, Glenn.

Glenn Brandt:
Thanks, Matt.

David Naccarato:
Thanks, Matt, and thanks, everyone, for joining our Q3 call. If you have any follow-ups, feel free to reach out to the IR team.

Glenn Brandt:
Thank you very much.

Operator:
This brings to a close today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

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