



# **Rogers Communications Inc. Third Quarter 2019 Results Conference Call Transcript**

**Date:** October 23, 2019

**Time:** 8:00 AM ET

**Speakers:** **Joseph Natale**  
President, Chief Executive Officer & Director

**Tony Staffieri**  
Chief Financial Officer

**Paul Carpino**  
Vice President Investor Relations

**Paul Carpino:**

Thank you, Ariel. Good morning, everyone and thank you for joining us today. Today I'm here with our President and Chief Executive Officer Joe Natale, our Chief Financial Officer Tony Staffieri, and our Chief Technology and Information Officer Jorge Fernandes.

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 2018 Annual Report regarding the various factors, assumptions, and risks that could cause our actual results to differ.

With that, let me turn the call over to Joe.

**Joseph Natale:**

Thank you, Paul, and good morning everyone. Today I'm pleased to share our Q3 results and our progress on key strategic initiatives. Let me start with some overall comments, and then Tony will take you through the results in more detail.

In Wireless we completed our first full quarter after the fundamental shift to Infinite plans with unlimited data. I'm pleased to report that Infinite adoption is three times the rate we expected, and we now have 1 million subscribers on these plans. Normalizing for the anticipated decline in overage revenue, we're very pleased with the underlying performance of our Wireless business. We're seeing growing ARPU in data usage, notable cost saving opportunities, and significantly happier customers. As we work through this transition over the next several quarters, we believe our Wireless business will be well-positioned for the future.

Cable continued to post improved performance underpinned by strong residential and small business Internet results. Despite eight years of fibre to the home investments by our major competitor, we continue to increase our penetration and deliver healthy loading while almost doubling our cash margins during a period of major technology and product investments. Importantly during this period of strategic transition in heavy investment, we've delivered a long-term capital allocation program that strikes a healthy balance between maintaining a strong balance sheet, investing consistently in our core networks and 5G spectrum, and returning sustainable and notable levels of capital to shareholders.

While we have adjusted our 2019 outlook to reflect this expected short-term transition in Wireless, we remain confident in the long-term strategic positioning of your Company.

Let me offer my perspective on the move to Infinite and what we're seeing. Q3 was the beginning of a critical and necessary shift in the Canadian wireless industry. The launch of unlimited data has fundamentally changing how Canadians use their wireless services, and how operators draw sustainable growth economics into the long-term. As I said last quarter, we made these changes after thorough and thoughtful analysis on where the industry is going, what matters most to our customers. A quarter later, the supporting KPIs highlight the strategic benefits and the accelerated adoption of unlimited plans.

As you may recall, we led this change for three important reasons. First and foremost, to stimulate data growth. The approach to overage in Canada had seriously decelerated data growth rates. Canadians had become increasingly afraid to use data given the evolution of overage rates in our industry. On a comparative basis, average data consumption in Canada had fallen to one-third the U.S. average and the bottom quartile of the most advanced global markets in the world. Overall, this dynamic was both unsustainable and limiting to our future with 5G.

Second, to draw the step change in the customer experience and, as a direct consequence, reduce the cost to serve our customers. By eliminating bill shock, reducing friction, and in many cases, the tension between family members in a data share plan, we collect a simplicity dividend. If you make things clear, simple, and fair, customers will call less, have fewer billing disputes, they will spend less time when they do call, and they will be more satisfied overall. Ultimately, this drives their likelihood to recommend Rogers.

Third, to improve the economics of acquisition and retention. In 10 years, handset costs have escalated from a few hundred dollars to cresting around \$2,000 today. Last year alone we spent \$2.4 billion on smart phones with an all-time record subsidy of 40% or over \$950 million. Our recent move to equipment financing helps drive affordability for consumers while improving subsidy economics, COA, and COR for our business. Overall, the rationale is straightforward: to stimulate data use, lower operating costs, lower phone subsidies while driving customer satisfaction and growing customer lifetime value.

Let me share some of the strong underlying metrics that we are seeing when we analyze our Infinite base. First, 60% of customers are upgrading to higher price plans and 40% are downgrading. The resulting recurring ARPU is up 1% to 2%. On average, subscribers are using over 50% more data. Likelihood to recommend is roughly 30% higher. This represents an unprecedented lift in this very important metric.

In the call centre we look at the top call drivers around billing and overage. They are down 50%. Online hardware upgrades are up 30%, and as we limit and eventually subset subsidy plans, the shift from device subsidies to device financing is expected to drive significant cost efficiencies. While the savings were modest this quarter, given the competitive dynamic by one player in particular, we expect the market demand for lower monthly device costs will stimulate penetration of these plans, particularly as subsidy levels reduce.

Data overage fees currently represent roughly 5% of Wireless Service revenue. In the third quarter, our results were impacted by approximately \$50 million in reduced overage fees given customer adoption of these new plans. By this time next year, we expect to eliminate overage revenue by over 80%. In parallel, data use is expected to grow and so is recurring ARPU. By the second half of 2020, we expect to return to our ARPU growth, reflecting a markedly faster transition than the unlimited experience south of the border. For those trying to draw a parallel to the U.S. market a few years ago, our entry price for unlimited plans was set at a significantly different point and, therefore, we believe we will return to overall growth more quickly.

As Canada's largest wireless provider, we chose to lead this change. We believe this move was inevitable, and it was the right time before we ramp into a 5G world. These plans reflect balanced economics for the industry, excellent value and simplicity for our customers, and they will drive meaningful data growth into the future.

In addition, for our Fido customers we introduced data overage protection which less customers pause and purchase data when they reach their limit. While it's early days, this new service has shown positive results with 260,000 customers on the new plans using 14% more data.

Let me share a few quick but important highlights on the broader customer service front. In our customer solutions centre, our multiyear investments are paying off. We've seen a 13% reduction in calls while supporting the major transition to Infinite in Wireless and Ignite in Cable, and maintaining solid service levels. Digital adoption is up 11% and growing.

We announced plans to open a new customer solutions centre in Kelowna. The new centre is set to open next summer and will handle 1 million customer interactions each year. It will also inject 350 jobs into the local economy. We also announced an exclusive partnership with Enjoy to introduce Rogers Pro On-the-Go. It's an innovative new service that lets Canadians order a device online, have it delivered and set up within hours of ordering anywhere they want. This free service will launch in the GTA later this month and other major cities next year.

Our Wireless Network Investment program to 5G-ready LTE advanced technology is paying off. We are pleased with the recent recognition from P3, the international leader in benchmarking networks. They awarded Rogers Best in Test for overall wireless customer experience. This ranking is based on robust third-party drive tests that measure the real customer experience across voice, data, and applications.

Looking back at our progress this quarter and looking ahead at the short and long term, I'm confident we have the right strategy, the right plan, and the right priorities to lead and win, for both our customers and our shareholders.

I'd like to thank our entire team for their incredible dedication and commitment. With that, let me pass it over to Tony. Tony, over to you.

**Tony Staffieri:**

Thank you, Joe, and good morning everyone. Our Q3 results reflect the first full quarter of our strategic transition to our Infinite unlimited plans. I'll start my remarks by outlining the impact of this transition to date on our financials.

We want to be transparent in describing the moving pieces of this transition so that you can assess the progress on our underlying fundamentals, and that is why we've disclosed the largest impact reflected in the approximately \$50 million of overage revenue decline this quarter as a result of the migrations to our unlimited plans.

As Joe outlined, we are extremely pleased with the success to date of our Infinite plans and the implications for our key underlying customer value economics. However, as we highlighted when we launched our Infinite plans, our results would be impacted in the short term by the timing and reduction of overage fees that customers were previously incurring. The faster-than-expected adoption of these plans is resulting in a faster-than-expected decline in these overage revenues. As a result, rather than a transition and gradual decline in overage revenues occurring over a six to eight-quarter time period, we now expect this transition to happen in as little as four to five quarters and have adjusted our 2019 full-year outlook to reflect this dynamic.

Let me start by providing you with additional colour on both the third quarter and on our unlimited plans. In terms of overall Wireless financials, we reported service revenue that was down 2% year-on-year as a result of the short-term impact of the overage revenue decline. Even though adoption of the value-rich unlimited data plans continues to accelerate, the industry experienced a very competitive and dynamic market in Q3. For example, some players continue to offer heavier promotional discounting and hardware subsidies that, in our view, didn't balance the economics of the value-rich unlimited plans. Additionally, related promotional activity, particularly on add-a-line discounting, further pressured our underlying revenue growth rate, although to a somewhat lower extent.

Looking forward, we expect our overage revenue to continue to decline over the next several quarters at rates similar to Q3 based on current uptake rates of these unlimited plans. By this time next year, our dependency on overage revenue will be dramatically reduced and will likely represent less than 1% of our Wireless Service revenue.

Wireless Adjusted EBITDA grew 4% in the quarter despite the flat revenue. When considering the decline in overage revenue, the margin growth reflects our continued cost efficiency improvements, including some related to the Infinite plans which are already materializing. Wireless margins remain strong at 49%, an expansion of 180 basis points from last year. We gained what we believe to be a healthy share of new subscribers in the quarter, notwithstanding a heightened volume of switching in the market, as reflected in our heightened churn rate this quarter.

We delivered 103,000 postpaid net subscriber additions along with 27,000 prepaid net additions. Our expectation is that churn will continue to be elevated for us, and likely the industry, for the next several quarters as the transition to unlimited plans continues.

Our Q3 blended ARPU declined 2% this quarter, again, largely as a result of the overage revenue decline I mentioned. Excluding the near-term impact of overage revenue, ARPU would've been flat. We continue to expect similar levels of ARPU headwinds for four to five quarters as we ultimately transition the customer base to the higher unlimited data plan ARPUs.

Turning to Cable, we grew revenue by 1% this quarter and Adjusted EBITDA by 2%. Our Internet offering performed strongly and continues to be a key driver for our Cable business.

Internet revenue grew 7% this quarter, reflecting the movement of Internet customers to higher speed and usage tiers and a larger Internet subscriber base. We remain uniquely positioned to meet customer demand for faster speeds and higher data with our ability to offer Ignite gigabyte Internet across our entire Cable footprint.

In Q3 we reported 41,000 net Internet subscriber additions, a 6,000 improvement compared to the prior year. This reflects the 17th consecutive quarter of increasing Internet penetration rates. In addition, Internet ARPU continued to grow year-over-year. Cable cash margins expanded to 21%, and Cable CapEx intensity was again 29% this year and is consistent with the prior two quarters. Notably, capital intensity this year is down a significant 720 basis points from the 36% at the end of 2018. As reflected in these results, we continue to make good progress towards our stated goal of 20% to 22% Cable capital intensity and at least 25% cash margins by the end of 2021.

Moving to Media, revenue was lower by 1% year-over-year, largely as a result of the sale of our Publishing business in the second quarter and lower revenue from the Toronto Blue Jays. This was partially offset by higher subscription and advertising revenue generated by our Sports net properties. Excluding the impact of the sale of our Publishing business, Media-reported revenue would have increased by 2% this quarter. Media EBITDA was strong once again up 78%, driven by lower publishing costs and lower Toronto Blue Jays salaries.

Turning to our consolidated results, we delivered stable revenue from a year ago and solid Adjusted EBITDA growth of 6%. We invested \$657 million in CapEx for the quarter which decreased 6% year-over-year. The decrease in capital expenditures was largely driven by our Cable business where we saw our initial setup investment for Ignite TV decline in the quarter. CapEx intensity In Wireless was

12%. During the quarter we continued augmenting our existing LT network with our Ericsson 4.5G technology investments that are also 5G ready.

Our commitment to generate healthy free cash flow and to return significant capital to shareholders remains strong, even during this heightened investment cycle and launch of our Infinite plans. We generated free cash flow of \$767 million this quarter, an increase of 22%. The notable increase this quarter was the result of higher Adjusted EBITDA along with capital efficiencies in Cable and lower cash taxes. We anticipate our cash tax rate to remain in the range of 6% Adjusted EBITDA for Fiscal 2019.

We returned cash to shareholders through dividend payments of \$256 million and repurchased \$93 million in Class B nonvoting shares, bringing our total repurchases so far this year to just under \$300 million. Impressively, our total capital return to shareholders of \$1.1 billion in just the first nine months of this year is up \$317 million or 43%.

Our debt leverage ratio at the end of Q3 was 2.8 times, down from the 3.0 times we reported at the end of the last quarter. I'll also remind you that this year's leverage ratio has a 0.2 increase as a result of the new lease accounting standard which credit agencies had previously taken into consideration. With a healthy business and strong free cash flow, we expect to continue reducing our leverage over time, moving closer to 2.5 times in the future. However, given the current low interest rate environment, we expect to do so at a steady, natural pace.

We have liquidity of \$2.8 billion at the end of the quarter and have solid investment-grade credit ratings with a stable outlook. Additionally, our balance sheet is well-positioned with long-term maturities and low interest rates on our outstanding debt.

As you saw in our press release, we have updated our 2019 financial outlook originally provided in January to reflect the accelerated adoption of our Rogers Infinite plans. We expect total revenue growth for the year to be between negative 1% to positive 1%. Accordingly, our Adjusted EBITDA growth is now targeted at 3% to 5%, and our free cash flow growth target for the year is now anticipated to be in the \$100 million to \$200 million range. Capital expenditures are expected to be between \$2.75 and \$2.85 billion. These changes reflect the short-term impact on the business of the changes I described above, but allow us to be fundamentally stronger by giving Canadians unlimited data on Canada's



number-one network, as recognized by P3 Best in Test award; eliminating data overage fees to improve the customer experience; improving our cost structure to reduce inbound calls; lowering our churn; and driving more sustainable subsidies. Along the way we will provide additional transparency for you to monitor our progress.

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

**Operator:**

Our first question comes from Simon Flannery of Morgan Stanley.

**Simon Flannery:**

Great. Thank you very much. Good morning. I wonder if you could just give us a little bit more colour around the impact of the Infinite plans. When you had second quarter earnings, you'd obviously had a few weeks to see what was happening. What sort of changed during the quarter? I think the experience from the U.S. was that the people with the biggest overage moved the quickest, and then it sort of settled down, but it sounds like you're saying, and certainly your guidance implies, about a 10% drop in EBITDA for Q4, that there will be more to come; that's it's not going to really moderate for some time. So, any colour you could give about what you've seen in the last month or two that's really caused this change. Then any comments on the election, and how we should think about some of the political commentary around cutting cell phone rates. Thanks.

**Joseph Natale:**

Okay. Why don't I start, Tony, and then you can pick it up overall. Simon, in terms of some colour around Infinite, we've provided quite a list of insights, but let me add some colour commentary around it.

Q3 was the first really full quarter of the change. We expected somewhere in the neighbourhood of 250,000, 300,000 migrations to Infinite. We got to a million largely because customers saw the value and, inherently, wanted these plans. Just look at sort of our gross loading for the quarter, it's up 5% year-over-year and a very strong gross volume performance on the whole.

If you look inside, you'll see a couple of things that we find very compelling. One is 60% of customers are upgrading to the unlimited plans; only 40% are downgrading. As we mentioned, the underlying

recurring monthly fee, or ARPU, is actually up 1% or 2%. The overage decline is what has been accelerated just as we anticipated. It's exactly in the same proportion that we anticipated, but the volumes far greater as a whole.

When we look inside that base, what do we see? We see a 50% reduction in the primary call drivers that we talked about, which bodes well for the future in terms of the cost reduction opportunity around propensity to call, around duration of calls. Everything we're seeing is lining up behind that very clearly.

What we're also seeing is very strong early lifecycle churn. I mean, it's very hard to draw a complete trendline around churn of the Infinite base given it's only been one quarter, but if you compare it to early lifecycle churn of other new customers, all the people who migrated in the past to our legacy plans were very pleased with the churn profile that we see from Infinite customers.

I'm going to pause there and give Tony a chance, and I'll take it back on the election.

**Tony Staffieri:**

Simon, we've had talked about our overage revenue being just under 5% of the total Service revenue. We had originally outlined our expectation that that decline of that revenue would take six to eight quarters. What you're seeing is the same quantum, just compressed in terms of decline over what we now think four to five quarters. As Joe said, it really relates to the volume of switchers to the new Infinite plans compared to our original expectations. While we reported Q2 results, it's sort of still early days in the launch of the plans, and what we saw is a consistent cumulative acceleration of the adoption of these plans. So, our commentary, as we look to Q3 and the next several quarters, we're just taking that current run rate, and based on current volume trends, our expectation is it'll be about the same impact in each of the subsequent quarters.

**Joseph Natale:**

On the election front, I don't anticipate a lot of change or departure from what we've said in the past overall. First of all, Canada has some of the best networks in the world. I think it's readily recognized by our Government that we have some of the best networks in the world. The Government is very supportive of making sure we maintain thesis around investing in infrastructure in Canada, especially given rural Canada, the population density, and all the importance of making sure we connect Canadians.

We're very much aligned on the topic of affordability. Our move to unlimited and everything else that we've been talking about regarding equipment financing is very much aligned on that front.

There is the potential of a new Minister of Industry; we're not sure. We're waiting for the cabinet to be announced. There is a new deputy in charge of the Industry portfolio, so we have an opportunity to sit down with people and just work through and talk about how we've built such a great network capability in Canada and why perpetuating that capability into the future, especially around the digital economy and 5G, is fundamentally very important. So, we're feeling good about things overall on that front.

**Simon Flannery:**

Great. Thank you.

**Paul Carpino:**

Great. Thank you, Simon. Next question, Ariel?

**Operator:**

Our next question comes from David Barton of Bank of America Merrill Lynch.

**David Barton:**

Hey, guys. Thanks for taking the questions. I guess I wanted to follow up a little bit on Simon's question, Tony. Just in terms of the ARPU outlook, is the messaging that we're kind of at the 66 level and the net of the uptick of higher-end plans and the continued pressure from overage will net out flat, and so 66 is kind of like the right ZIP Code as we think about into next year when things start to grow again; or is there incrementally more overage pressure than uptick pressure as we look into 4Q and 1Q?

Then I guess the second question was on the lower CapEx guide. I think, Tony, you mentioned something about a lower investment in Ignite. I think the plan for the year was to invest pretty aggressively, maybe take advantage of the opportunities that Bell might be leaving on the table with the 50% of their footprint that doesn't have the fiber overbuild. Has that plan changed and, if so, what's kind of going on with that? Thank you.

**Tony Staffieri:**

Okay. I'll start with the first one, David. In respect to ARPU, I remind you there's always a bit of seasonality in each of the quarters with respect to ARPU, and so I'll make my comments with respect to growth rates rather than the absolute dollar ARPU that you were referring to. This quarter we had blended ARPU declines of minus 2%. Keep in mind, when I talk ARPU I'm talking true IFRS ARPU. As I said, the biggest impact, if you were to compare it to previous quarter, is roughly two points on the overage revenue decline. We also saw a little bit of softness in our base as a result of repricing on some items, and I made reference to add-a-line. So, with the launch of unlimited Infinite plans, one of our competitors launched more aggressive pricing on add-a-line, and we matched that in the marketplace. That would be one of the more significant impacts that impacted our ARPU within the quarter.

As we look to the rest of the year, our expectation is that rate of decline would be about the same. As we get more volumes on the Infinite plans, where they are underlying recurring monthly rate is growing at a rate of 1% to 2% and we get some volumes, it'll offset some of that natural decline. So, without getting too far ahead of ourselves, but as we think about the first part of next year, we see ourselves possibly moving to roughly flattish ARPU, blended ARPU; still might be slightly negative, but improving over the first course of next year. Then, of course, as we said, as we get into the back half of next year, and in particularly this time next year, having a substantial volume on these new Infinite plans, that uptake will overshadow what would be left in overage revenue and we see ourselves returning to positive ARPU decline in the back half of next year. Hopefully that answered your question on the first part.

On the second part, with respect to CapEx intensity on Cable, one of the big things is we launched some of the new products around the Comcast set of portfolios. It started with the IP television product. There is also the adoption of our Wi-Fi hub, which is the Xfinity platform. There's continued improvements on those and new products on the horizon that we continue to invest capital in.

On the Ignite TV product, for example, we continue to ingest some new apps, including Amazon, our Sports Net Now app, as well as The Zone, just to name a few. While we continue to invest in that type of enhancement to the product, the bulk of the fixed costs continue to come down. That's offset by a continued increase in the pace of migration. To date, we have over 200,000 customers on the Ignite platform. This month we stopped selling our legacy product, and so you'll see all new acquisitions move

to the new Ignite platform, and we will begin a campaign of accelerating the migration of customers from legacy to Ignite. That involves truck rolls, as well as some additional investment in CPE. Notwithstanding that, we expect to contain that within the 29% capital intensity ratio we have for this year. As we look into next year and beyond, we have a plan within Cable to continue to bring down capital intensity, and so it's really the cost efficiency that continues to offset the volume uptick that we expect during that migration process.

**David Barton:**

Great. Okay. Thanks, guys.

**Paul Carpino:**

Okay. Thanks, Dave. Next question, Ariel?

**Operator:**

Our next question comes from Vince Valentini of TD Securities.

**Vince Valentini:**

Thanks very much. Two things; one, the move to equipment installment plans, I know it hasn't gone quite as fast as you had hoped, but have you had any benefit from that in your numbers yet in Q3? Can you remind us, even if you've seen that in your sort of run rates and volumes, how long it's going to take for any related cost benefits to flow through your numbers under IFRS?

The second question is, I mean, you seem very positive about the underlying trends on the move to Infinite and unlimited plans and the data usage increases, the cost savings and so forth, but obviously it's translated into lower results for this year because of the pace of migration. Can you answer this question—I mean, without giving us hard numbers, you would've had a plan for 2020 before, that would've had some level of EBITDA growth in your mind. Would you now think the percentage growth in EBITDA in 2020 is higher than what your plan was three months ago because the base is now lower and because of all the underlying positives from unlimited? Thanks.

**Joseph Natale:**

All right. I'll take the first one and then Tony will follow up on the second one. Vince, in terms of equipment installment plans, we believe that is the right focus and structure for the industry. The impact in the quarter is modest. I think we're just starting to see a change and a turn in that direction. It was exacerbated by one of our competitors taking a very aggressive stance with subsidies during the promotional period. We are really trying to rearchitect the value proposition here for consumers to say here's an opportunity to get unlimited data, get worry-free data and the like, to stop some of the dilution from the premium brands that we've talked about and mixing in the flagger brands, stop some of the line stripping that was going on in the premium brands, etc. We think that the better model overall is to drive equipment financing and drive it hard. We think it creates better affordability given the construct of equipment financing for consumers in terms of financing the total cost, whether it's the tax cost, whether it's the potential recovery value at the end of the term, etc.

I think it'll take some time for that to shake out, and I think the readiness around systems and capabilities hasn't been completely there yet overall, but it's a big number. It's a big number, and we spent almost \$1 billion last year on subsidy. When cell phones were a few hundred dollars, it wasn't as big or relevant a cost, but now as they're cresting \$2,000 and beyond, it behooves us to take a look about how do we rearchitect or structure that subsidy profile and approach; at the same time make sure we create constructs that are affordable for customers as a whole because it's just not the right way to drive the future of the business. So, you're going to see us really try to drive discipline on this front, and you're going to see us really build capabilities that continue to offer feature sets around financing that customers will find attractive, and that's our view on it.

**Tony Staffieri:**

If I could pick up on that, Vince, in answer to the other part of your question, I think you were getting at is there an expectation that we would see some savings this year on it, and the answer is absolutely. As Joe said, when we launched the plans, it was balanced set of economics on good value with unlimited plans, but a much lower subsidy. But that was complemented with very attractive terms of 24 to 36 months financing that kept the rate low for customers, which significantly reduced the almost \$1 billion in subsidy on an annual basis that Joe talked about.

That wouldn't have all come into Q3 or Q4 this year. Just under IFRS accounting a couple of things happened indirectly, sort of gets smoothed over a 24-month period. But, notably, hardware discounting or the subsidy that continued in the marketplace, just the way IFRS accounting works, a significant

portion of that discount is offset against the ARPU. It provided a revenue and ARPU drag for us in the quarter and will in Q4 as well. So, when I made previous comments about the ARPU declines in the base relative to our expectations, that would be an additional factor for it.

Notwithstanding that, we're confident that the industry, as Joe said, will kind of realize the competitive dynamics or realize the need to get to this balance on subsidies, and we'll have to see how that plays out, not only in Q4 but particularly as we head into the first quarter of next year. We don't want to get too far ahead of ourselves and talk about how we think about EBITDA for next year. But coming back to the restated guidance for this year, you should think about it as largely attributable to two main factors that we weren't expecting. One is the heightened overage revenues; a little bit of the additional add-a-line discounting that occurred in Q3 that will impact us in Q4, combined with the heightened subsidies that impacts revenue because of the IFRS accounting, as I mentioned, as well as margins. Those are really the three big items that we weren't expecting that had a material impact.

Notwithstanding that, we continue to post good cost efficiency numbers. If you were to look at our Wireless costs for this quarter, they're down 8% year-on-year. Year-to-date they are down 6%. That's fairly significant, and that excludes subsidy in that number. If you were to look at our Cable side of the business, we kept our operating costs flat, notwithstanding the migration that we've talked about to Ignite, which carries considerable OpEx in terms of truck rolls and other related transition costs. But even with that year-to-date, Cable costs are down absolute 1%. Then in our Media business this quarter, costs are down 15% year-on-year. Although a large part of that is Blue Jays salaries, there are other operating back-office costs within Media that continue to come down.

I think what you see is an underlying business with a good roadmap. We've talked about a cost program delivering consistent improvements each quarter sequentially and year-on-year, and you are seeing that, just as that overage revenue comes down, and the three factors that I talked about, it's really masking that underlying trend.

**Paul Carpino:**

Thank you, Vince. Next question, Ariel?

**Operator:**

Our next question comes from Maher Yaghi of Desjardins.

**Maher Yaghi:**

Thanks for taking my questions. I want to go back to the comments you just made on guidance, Tony. The delta on the revenue for the new guidance versus the previous guidance is \$600 million, and on EBITDA it's \$240 million. You said in your MD&A that overage was about \$50 million of impact in the quarter. Assuming all of it went straight to the bottom line. I'm struggling to understand the reduction in your EBITDA guidance because, as you mentioned just now, your cost in operating the Wireless business and the Cable business is down year-on-year. What is causing the reduction in EBITDA beyond the overage here, because assuming the overage impact in Q3 is also the same level or even higher, I still don't get to \$240 million of EBITDA.

I have a follow-up question on ARPU.

**Tony Staffieri:**

Okay. A couple of things, Maher, one is the reduction in EBITDA from previous guidance to current, depending on whether your \$240 million sort of takes the midpoint. I think if you were to look at the first half of the year, given the lower revenue we had, we were trending towards the lower end of guidance. If I take that 7% to the midpoint of the new guidance range of 4%, you get roughly on \$6 billion of annual EBITDA, \$180 million versus your \$240 million. But let's say it's roughly \$200 million to help you walk through, think about it as the overage now \$50 million this quarter, we're expecting about the same for next quarter. That's half of it, about \$100 million. We saw some additional discounting, and you see that in our blended ARPU coming down.

You could put that in the range of roughly \$50 million of unexpected run rate impact for the back half of the year. Then finally, as I said, the subsidy piece of it, our expectation was with reduced subsidy in the market that it would not only help ARPU because of the accounting that I talked about in reducing the offset to it, but also reduce the net subsidy cost, and that was expected to be in the range of \$50 million to \$100 million in the back half of the year.

Those are really the three components that impacted us that we weren't expecting. As I said in my scripted comments, everything else continues to be on track in terms of the underlying, and it's really those three main components that bridge to the roughly \$200 million or \$240 million that you referenced.



**Maher Yaghi:**

Okay. Why were you expecting a reduction on subsidy in the back half of the year even before you launched the unlimited plan? It seems like that was implied in your guidance, but what is the reason behind that assumption?

**Tony Staffieri:**

Let me help you with that. As we thought about where we were trending at midyear, we were already experiencing lower-than-expected revenue. We still had two-thirds of our business to go, and so our expectation was there were some things in revenue that we were expecting that would allow us to continue to hold our guidance on each of revenue EBITDA and free cash flow. As we re-evaluated at midyear, what we thought the back half was going to look like vis-à-vis the guidance ranges we provided in January, that was some of the new dynamics that we had factored in at that time.

**Maher Yaghi:**

Okay. On ARPU, if I look at the impact of the \$50 million, it comes out to \$1.55 on ARPU. If I look at it year-on-year, it's 2.7% lower. You have said in the past that your overage accounts were about 5% of your total ARPU. On 1 million subs that transitioned on unlimited out of a total of 9.3 million, you lost half of the overage. It seems pretty high, so I'm trying to figure out where to go from here.

**Tony Staffieri:**

What we'll try to do, Mer, is rather than walking through that detailed map on this call, we'll certainly share with you and help you with the reconciliation, and for the benefit of other analysts on the call, we'll do the same in terms of sharing that. But we are not quite at the halfway mark of reducing overage is the simple answer, and there are other items that were helped in terms of revenue and ARPU that offset that.

As I said, rather than doing that reconciliation now, I prefer to do it offline with you, and we'll broadly distribute that.

**Maher Yaghi:**

Okay. Thank you.

**Paul Carpino:**

Great. Thank you, Mer. Next question, Ariel?

**Operator:**

Our next question comes from Drew McReynolds of RBC.

**Drew McReynolds:**

Yes. Thanks very much. Good morning. First, Tony, thanks for all the additional granularity helping us kind of sort through this. Two follow-ups for me; first, maybe, Joe, on the migration rate dynamics you were pretty clear through September what was happening. Just wondering from a Rogers' perspective how you view the accelerated migration and the ripple effects we're going to recalibrate here today and the benefits and pros and cons of that versus maybe controlling that migration rate in a more measured way.

Then, second, kind of back to kind of Vince's, I guess, attempt on 2020, I'll make the same attempt. Do you think the Point B here at the other end has meaningfully or materially changed in terms of the economics of the business or some of the growth targets and just dollar targets overall that you think the business is heading to?

**Joseph Natale:**

Thanks, Drew, for the questions. First of all, on the accelerated migration, let me be very clear, we're very happy with the fact that the migrations is happening more quickly. We knew there was going to be a J curve in this migration. We said originally it would be somewhere the range of six or eight quarters. The fact that it's happening within four or five quarters, and that the underlying assumptions around where the value drivers would come from are holding true, is a good thing. It's a good thing as a whole.

We've really strived to make sure that the approach that we've taken is clear and simple. You heard me talk about the simplicity dividend. What we've asked customers to do is to migrate the entirety of their share plans over to Infinite, therefore creating a very simple construct as a result. We are seeing customers adopt those very readily, and I think it's a good thing because the underlying savings in terms of the cost to serve, we're seeing evidence of that already.

We do anticipate that there will be another factor around equipment subsidy that we've talked about. The sooner we get to those points in time when we migrate through the vast majority of our base, the more quickly we can resume the type of growth that we believe is on the other end, including the ARPU economics. When we look inside this base, just to repeat the point from earlier, we are seeing that an Infinite customer, on average, their recurring ARPU is up 1% or 2% after this migration dynamic. So, more is better with respect to the migration path versus a longer approach to this.

As I said, we expect in the latter half of next year, to have fully worked through the overage from roughly 5% today to somewhere in the 1% range at that point. Then we'll get the full benefit of the upside that I've just described surfacing and really being sort of the new structure economically the growth-oriented Wireless business. It just wasn't sustainable to continue the overage, to go back to my comments earlier, to continue the overage regime that had been created. The overage was almost double that a couple of years ago; it was closer to 10%.

So, like it or not, we've been eating through that overage through a series of complicated structures around data top-ups and data bonuses and things of that nature because overage was a big pain point for customers. Rather than continue to perpetuate that complexity which drives all kinds of hidden factory costs in our organization, we said, no, let's bite the bullet. Let's create a very simple construct, and let's get to the simplicity dividend as quickly as we can. We had a great path of instruction to look at.

We saw exactly what happened in the U.S. We sat and watched every chapter of that movie. We saw it evolve very clearly, very specifically over time. We saw what was done well and what wasn't done so well, and we saw them come up the other side with growing ARPU with cost improvements with a margin that was up 10 points, and a vastly simpler business to manage and navigate and very different subsidy economics.

Well, when you kind of look at that movie, we say why can't that movie happen in Canada. We believe it can happen in Canada. Along the way, what do we create? Happier customers, higher likelihood to recommend, and a greater overall healthy business that's sustainable well into the future. So, we think the vaster is better as opposed to finding artificial means to prop up and slow down the effect, including mixing and matching of share plans where some members of the family might be unlimited, and others are not unlimited. The complexity that drives in terms of a conversation would be immense, so we're

very much committed to the simplicity of one simple size and approach that fits the entire family. That's where the real gold is in this and, with that, driving the right equipment financing structure around it, I think is exactly the direction we should be headed in, and the faster the better, frankly.

**Tony Staffieri:**

On the second point of your question, Drew, in terms of 2020 EBITDA, again, we don't want to make this a guidance call for 2020, but to be helpful here are the moving pieces as we think about 2020. We've talked about the overage decline overshadowing the underlying growth in Wireless, and so we'll likely see a year where the first half will continue to be pressured on revenue. It won't be until the second half of 2020 that we start to see net net Wireless revenue growth, and that's true of ARPU as well.

On the cost side of it, you should expect us to continue to deliver the type of absolute cost reductions and efficiencies that you've seen, and we're fairly confident about our cost program on that. Then the third piece of it, and that one is really going to be driven by market dynamics. We continue to believe that installment financing is a win-win for us, the industry, and consumers, in many ways. We'll have to see how the market adopts those and at what pace, but that will yield significant savings for us in the industry in 2020. That'll be a big determinant of the overall EBITDA profile for the year, but I think I would characterize the year overall as a slower start in the first half and a different growth profile in the second half. Where that nets out for the full year, in many respects is less relevant. We think it's more the quarterly direction of travel that's going to be important.

**Drew McReynolds:**

Yes. Understood. Thank you.

**Paul Carpino:**

Great. Thanks, Drew. Next question, Ariel?

**Operator:**

Our next question comes from Jeff Fan of Scotiabank.

**Jeff Fan:**

Thanks. Good morning. Lots of details have been given, so I won't go too far into the details. But a question for Joe and Tony; you guys are obviously happy about the migration pace to Infinite, but at the same time lowering the outlook was not probably part of that plan. If you look back, is there anything that you think you could've done, would've done differently that would've made this transition perhaps a little bit easier, because I don't think anyone is debating whether this move is inevitable? It's just I think both of those things kind of need to be reconciled.

Then just, lastly, on the subsidies, again, not to point too much to 2020, but competition has kind of kept subsidies in place, and is your assumption that all operators are going to go to EIP-only plans at some point in the near medium term in the industry?

**Joseph Natale:**

Let me start and then, Tony, maybe you can talk about our views on subsidies. Jeff, thanks for the question. We spent a lot of time talking about the move to Infinite. We did a lot of careful analysis, as I said. We drew out for ourselves the J curve, and what it might look like. The thing we couldn't fairly test was the rate at which consumers would rally and gravitate towards these plans. That ended up big three times the rate that we had anticipated, which I think is a good thing. To your point, we are positive around that move.

Looking back, I wouldn't change anything, frankly. We had a long discussion with our Board before we did this. We talked about the reasons for doing it, and we stood firm collectively on the ground of this is the right thing for consumers, the right thing for the industry. Let's go do this. If it takes eight quarters, great; if it takes four quarters, great. We'll just figure it out as we go just the pace at which it's going to happen.

I think everything else that we anticipated is coming in largely in line of what we thought. The pace was very hard to gauge. Despite the fact that we did a bunch of focus groups and we talked to customers and we saw initial great enthusiasm, it's really hard to figure out what is that pace. Would we have liked to have a better view on what that might've look like so we could've been—knew that it wouldn't—we wouldn't be surprised by three times the pace? Yes, but at the end of the day, it's the right direction and the right move, and we think it wouldn't have changed a thing overall, frankly.

**Tony Staffieri:**

Yes. On the second part of your question, Jeff, when we launched this, we thought—when we launched the Infinite unlimited plans, we also launched the installment plans, but we kept in place the legacy subsidy model. The EBITDA savings is less about whether it's installment plan or the subsidy model which bundled together the service with the cost of the phone, but it's more about the inherent discount that's provided on the device.

Back in July what we did say is we were going to keep the subsidy plans in place to help consumers understand the transition. We very much like the simplicity and appeal of the phone and, as we said, it was a great value in terms of connectivity with the unlimited plans. The device was very simple, it's the cost of the device over the term the customer wants to finance it. We thought that simplicity had terrific appeal, but we kept in place the subsidy ones for those customers that weren't quite sure yet. We did them both at the same economic so they were much reduced subsidies.

In the past, on average, as you would know, Jeff, the average subsidy would sit in the \$400 to \$500 range previously in terms of what was the pure discount on hardware provided to the customer for entering into a two-year contract. We reduced that substantially when we launched our plans in July in both the installment plan as well as on the subsidy.

Our point is that the market continued to offer subsidies throughout Q3 largely in the \$400-plus range. In order to compete we matched that. We've seen that those numbers have come down post the quarter end, and so it's difficult to predict where the market is going to go in Q4, and as I've said, particularly into Q1. Our expectation is that as we head into the new year we will move, and we think it's the right move to move to all-installment plan. But if there continues to be subsidy in the marketplace that some customers want, as we see our competitors continue to offer it, then we'll do the right thing and match, of course. But we think the move to installment is the right plan, and it's taking a little bit longer than we expected.

**Jeff Fan:**

Great. Thanks for the colour.

**Paul Carpino:**

Great. Thanks, Jeff. Next question, Ariel?

**Operator:**

Our next question comes from Tim Casey of BMO.

**Tim Casey:**

Thanks. Two for me; one, Tony or Joe, could you talk a little bit about how we should think about the inherent cost reductions that come out of this migration? In other words, do we need to get to a point where you bled off all the overage sort of the end of 2020 before we'll see a marked reduction in costs associated with the call centres and whatnot now? In other words, when will the simplicity dividend come through in the numbers specific to the plans?

Second, just to talk about the wireline for a second, Tony, you mentioned you were going to invest in an acceleration plan, and you're no longer selling the legacy plans but you're going to try and accelerate the migration. How should we think about that in terms of financials; are you going to be able to do that with your current cost base, or is there another transitional sort of one-time costs that you're setting us up for there? Thanks.

**Joseph Natale:**

Why don't I take the first one and, Tony, grab the second one. Tim, in terms of the pace of the cost improvements, think of it this way, think this quarter we made an investment in speaking to a million customers around Infinite plans or supporting them through the transition. Typical number of price plan changes in the quarter may have been one-sixth or one-seventh of that number and, therefore, there was a specific associated cost with helping customers make the transition.

What we're seeing is from the customers that adopted right away, what their behavioural patterns are around calling and interacting, and their early churn behaviour as a whole. Think of it as, as we get through the bulk of the transition, and then as we come out sort of the other side in terms of the rate at which it's happening, the simplicity dividend will overtake the investment effort required to make the transition happen. I mean, without sounding like a calculus professor, it is sort of that bow wave we're

going to go through, and I think we'll start to really see it manifest itself more clearly in the latter half of next year, as Tony was describing.

But in the meanwhile, you can count on the fact that we'll be looking at all the specific details to make sure that the direction of travel, all of those key metrics, is going in the right direction. What we're saying right now is exactly that. We're seeing that direction of travel.

Bear in mind that we talked earlier that we saw a 13% reduction in calls this quarter, right, as a whole as a business, 13% reduction is significant. That's after taking into account the efforts required to transition a million Infinite customers and the efforts required to transition another 40% of the Ignite customers which are not insignificant efforts in terms of the customer handholding required and the digital adoption going up 11%.

We're continuing to have broader macro plans that will deliver the cost savings that Tony quoted a few minutes ago while we're looking specifically at this migration path to make sure that the benefits are materializing, which they are.

**Tony Staffieri:**

The second part of your question, Tim, related to the Ignite migrations. The migration is characteristic of both CapEx and OpEx, as you would expect. Think about our Cable CapEx. We've talked about being on a trend to continue to lower it, and our expectation is, notwithstanding the migrations that we're expecting, we will continue to improve our Cable capital intensity into next year from the 29% that we're seeing this year.

On the OpEx side there are some initial, what I would call upfront costs, as you would expect in terms of heightened training for our technicians, etc., that fall in the range of OpEx rather than being capitalized. For a couple of quarters, you may see our Cable margins pressured a little bit in terms of the net between the growing Internet revenue and some of these investments; too early to call out now. Much like Infinite, the pace of these migrations is still customer dependent, and so it'll depend on the pacing of that. You may see some of that pressuring on the cost side for Cable, but we don't expect it on a net basis to be significant.

**Tim Casey:**

Thank you.

**Paul Carpino:**



Great. Thanks, Tim. Next question, Ariel?

**Operator:**

Our next question comes from Richard Choe of JP Morgan.

**Richard Choe:**

Hi. Just wanted to follow up a little bit on the plans. Given the popularity and the simplicity of them, is there any way that we might see these plans expanded beyond the current, I guess, base that's being targeted?

**Tony Staffieri:**

Richard, these plans are very much focused on the Rogers brand, a brand that is a premium offering in the marketplace that has a share construct around it that is a brand that has a number of other service features and metrics, including the one we just launched. We just launched Pro On-the-Go where someone will come to your home or your office and get you set up, kind of a retail store on-the-go approach. It's really, we're focused on that brand.

The Fido brand is focused more at a lower price point, digital-first type brand with capped plans and data overage protection instituted and organized by the customer. We think that's doing very well. When you look even in the midst of Q3 and everything that happened with the change to Infinite, the Fido brand performed very well.

We think one thing we've managed to achieve with this is much clearer and crisper brand differentiation between the two. Our goal is to create a margin profile on Rogers or Fido that is roughly the same. Again, one is a premium brand, the other is aimed at the smart shopper and, therefore, will be largely supported by a digital set of service and tools. If we can get to that place, we become, in some ways, indifferent to the nature of the loading and where it comes from, and that's very much what we're focused on doing next year for the Fido brand and as well as we perpetuate to the move to Infinite.

**Richard Choe:**

Then in terms of the margin—and there's a lot of moving parts given the overage and some of the subsidy in promotions—but in going through the migration or transition and then the transition and the financing, it seems like the second half of next year could see a real uplift in Wireless margins; is that fair?

**Tony Staffieri:**

Richard, we entered the shift with a view that this was an opportunity to expand margins in our Wireless business. As we've talked about, there's a few moving pieces. The inherent subsidy is certainly a big part of that, but as we said, our expectation was to come out the other end with improved margins.

**Richard Choe:**

Great. Thank you.

**Paul Carpino:**

Great. Thanks, Richard. Next question, Ariel?

**Operator:**

Our next question comes from Aravinda Galappathige of Canaccord.

**Aravinda Galappathige:**

Good morning. Thanks for taking my question. I wanted to focus in a little bit on this 1 million cohort of subs that have taken up the unlimited plan. I know, Joe, you mentioned that the underlying ARPU growth is around 1% to 2%. I'm trying to get a sense of what this cohort would have looked like prior to the migration. Did that 1% to 2% comment suggest that they were, even previously, somewhat higher priced subscribers that kind of moved up a little bit to unlimited, but then, of course, there can be a mix as well. What I'm really curious about is the ability of that \$75 unlimited plan to pull up subscribers who could've been \$60 or \$75 instead, attracted by sort of the unlimited features. Could you give us a sense of whether you're seeing sort of a cohort of sub or a segment of those million that were previously in that bucket that you're kind of pulling up momentarily?

**Tony Staffieri:**

Sure, Aravinda. So, 40% of the million downgraded in terms of what they were spending on a monthly basis and 60% upgraded. So, 60% were spending less than the \$75 price point, and there is the distribution there that ranges across a wide spectrum. It wasn't just someone that was spending \$70. It was a wide distribution, and we won't give the details because it's sensitive, so 60% upgrading, 40% downgrading is the very key metric and the result in economics are strong. As well, we're seeing quite a

healthy number of subscribers opting for the higher plans, the plans that are pegged at \$95 to \$120, which is great, which says that consumers are looking for worry-free and looking to share the unlimited plans as a whole, and looking for simplicity in the construct.

We did two things that were very important. One is we allowed our base to migrate to these plans out of the gate. We felt that it was important that in the spirit of driving the simplicity dividend, we had to make it available to the base. The second thing we did is that we drove simplicity around the structure where everybody and plan needed to be on unlimited. Those two things created the 60/40 dynamic, which we think is a very healthy dynamic. That's why I think you're seeing that 1% to 2% ARPU increase, and we think the economics are working from that perspective.

**Aravinda Galappathige:**

Great. Thank you.

**Paul Carpino:**

Okay. Thank you, Aravinda. Next question, please?

**Operator:**

Our next question comes from Adam Ilkowitz of Citi.

**Adam Ilkowitz:**

Hi. Good morning and thanks for taking my question. I wanted to understand, into the fourth quarter and the wireless competitive landscape, there's been some recent pricing changes in the last couple of days, actually, from one of your competitors, how that is impacting what you're thinking about the plans. Then on Cable, I'm kind of intrigued by the ARPU changes you're seeing. Most of what we expect is ARPU flexibility on the Internet side, but it seems like your video ARPUs are rising much faster than your Internet ARPUs, which are rising on 2%, I think. Can you kind of go through how the pricing structure is working in Cable, and what's kind of driving that dynamic?

**Joseph Natale:**

Sure. I'll take the first one and, Tony, talk to the video ARPU commentary. What we're seeing in Q4 so far is a couple of things. One is subsidy overall in the marketplace has come down substantially. We think that's good in terms of the competitive dynamic. We have seen one of the competitors raise the

entry point to \$85 for unlimited. We don't think that drives the right dynamic as a whole. I think it creates too much complexity around, as I said earlier, mixing and matching subscribers within a share plan overall. We're not going to comment exactly in terms of what we're going to do in terms of pricing move. That's, again, competitively sensitive, but we think we picked the right price point at \$75, and we think it's driving the right mix of upgraders and downgraders, and it's driving the simplicity that we were after overall.

I think the discipline around simplicity and the discipline around subsidy are the magic ingredients here. We're committed to driving discipline on both those areas because we think that's how to rearchitect the economic structure that we've been professing.

**Tony Staffieri:**

The second part of your question, Adam, if I understood it right, is really reconciling the ARPU growth between Internet and the video piece of it. I would say on the Internet side we're pleased that we continue to see growth, but the growth on Internet ARPU continues somewhat to be dampened by the competitive offers that are out there that continue to be beyond a three-month period. As we've said before, we'll continue to match on those as needed to win in the marketplace. We do it, first and foremost, on product superiority, but where we need to we will match on price. You're seeing that dampen some of the Internet ARPU.

On the video side, you're really seeing the strength of the product come through. As we see customers migrate from legacy to Ignite TV or new customers coming in on Ignite, that's accretive to us on an ARPU basis. Ignite is sold largely almost entirely as a bundle with Internet, so when you look at the two products, we continue to see \$10 to \$12 ARPU increase on a household that converts from legacy to the Ignite platform. It really speaks to the premium nature of the platform and for the premium segment of the video viewer that's willing to pay for that functionality.

Now, having said that, there is admittedly a bit of an allocation that happens between Internet and TV, but we try to stay true to that based on relative market prices between the two, and so they are a fairly accurate reflection of market dynamics in each of them.

**Adam Ilkowitz:**

Thanks. Maybe following up to Joe's answer, I noticed that upgrade rates on the equipment side and insider Wireless continues to fall, and your gross sides have been about flat. Are you seeing any change in the mix of customers taking BYOD as a result, and is that having a negative impact on ARPUs as well?

**Joseph Natale:**

Yes. Gross is actually up 5%, Adam. We've seen very strong gross performance and gross loading. I think it's a combination of our distribution strength, and the way we position the merchandised Infinite and the simplicity of it coming home to attract customers that say that makes a lot of sense, we're seeing the growth strength as a result of that.

Sorry. The second part of the question was?

**Adam Ilkowitz:**

Just if you're seeing a greater mix of BYOD customers pressuring ARPU as well.

**Joseph Natale:**

No. No. The mix has been relatively stable overall. We've seen greater growth overall in terms of add-a-line and add-a-line retention, and add-a-line growth as a whole. We talked about the add-a-line discounting that happened in the quarter, and that's certainly had an impact because add-a-line discounting went from \$5 to \$15, which we think is aggressive overall, but, no, we haven't seen any change in that mix.

**Adam Ilkowitz:**

Thank you.

**Paul Carpino:**

Great. Thanks, Adam. Next question, Ariel?

**Operator:**

Our next question comes from David McFadgen of Cormark Securities.

**David McFadgen:**

Hi. Thanks for taking my question or two questions. Just looking at Wireless, you're saying that in about a year from now, you expect the overage to be only 1% as opposed to, say, 5%. I was just wondering can you give us an idea of approximately what percentage of the subbase you would expect to convert to unlimited to get to that point.

Then, secondly, when I look at your Wireless operating expenses, as you noted, they were down 8% in the quarter, and I was just wondering how much of that reduction is reduced call volumes, I guess, largely from migrating people to unlimited. Thanks.

**Tony Staffieri:**

David, I'll take both of them. In terms of the second part of your question, think about our OpEx really coming through a few areas. Certainly, call centre is one of the big ones that we've seen call volumes come down. Digital adoption is up 30% year-on-year, so we're really pleased with that transition. As we said in our scripted comments, we're already starting to see some of the Infinite benefits come through on the call centre in terms of material reductions in time spent on the call, but also once the customer moves to these plans, a material reduction in the number of callbacks we get as customers second-guess their plan, it's the simplicity of these plans that really avoids that second call.

Then also importantly, the reduction in churn that entails for those customers that move to the plan. While it's early days, and it's only four months, if you look at cohort-to-cohort of previous versus new, there's a substantial reduction in that churn piece of it.

The second piece of it continues to be what we would call back-office efficiencies. The digital adoption certainly helps drive some of that simplicity. It is certainly a piece of it, but continuing to incorporate

things like AI into some of our back-office machinery is certainly helping. Those would sort of be the big buckets, as you would expect.

Then, David, the first part of your question, could you just repeat that?

**David McFadgen:**

Sure. I was just wondering what percentage of your postpaid subbase you would expect to be on unlimited to get you down to, say, 1% of your Service revenue as still on overage.

**Tony Staffieri:**

Yes. Let me answer it this way. For competitive reasons we just want to be careful in anything that allows our competitor to understand how many Fido customers we have versus Rogers. We're very sensitive about that for obvious reasons. What we can say is by this time next year we expect the vast majority of our Rogers customers to be on the Infinite plans and maybe just leave it at that.

**David McFadgen:**

Okay. All right. Thank you.

**Paul Carpino:**

Next question, Ariel?

**Operator:**

This concludes the question-and-answer session. I'd like to turn the conference back over to Mr. Carpino for any closing remarks.

**Paul Carpino:**

Great. Thank you, everyone, for sitting in on the call today. We will be available for additional calls later today. Thanks for your time.

**Operator:**

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