Rogers Communications Inc.
Fourth Quarter 2025 Results Conference Call Transcript

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Speakers:

Tony Staffieri
President and Chief Executive Officer

Glenn Brandt
Chief Financial Officer

Paul Carpino
VP Investor Relations

Operator:
Welcome to the Rogers Communications, Inc. Fourth Quarter 2025 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 Paul Carpino, Vice President of Investor Relations with Rogers Communications. Please go ahead, Mr. Carpino.

Paul Carpino:
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 our 2024 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 Tony.

Tony Staffieri:
Thank you, Paul, and good morning everyone. I'm pleased to report that Rogers ended 2025 in the fourth quarter with strong financial and operating results. We executed well in a highly competitive telecom environment.

In 2025, we delivered industry-leading Wireless and Cable margins. We delivered industry-leading combined net new mobile phone and Internet subscribers. We invested in and delivered strong growth in our core Sports and Media operations, highlighting the quality of our world-class assets as we pursue future monetization opportunities.

We executed on our plan to return leverage back to pre-Shaw levels, well ahead of our initial target. And importantly, we met or exceeded each of our 2025 guidance targets for growth, profitability, and capital efficiency.

Our full year and fourth quarter results demonstrate our success in advancing a consistent and transparent long-term strategy. It's based on disciplined execution, regardless of market conditions, while maintaining an investment-grade balance sheet and investing for the future.

In a low-growth environment, we are adjusting our cost structure, driving efficiency, and growing cash flow to deliver on the sustainable long-term value creation we are pursuing across our three pillars of growth. This includes continuing to lead with innovative-first and transformative transactions.

Twenty twenty-five was a very significant, impactful year on this front. We closed on the acquisition of our controlling interest in MLSE to now hold a 75% interest in one of the world's premier sports and entertainment companies. We closed a $7 billion equity investment transaction, demonstrating the confidence investors have in Rogers and our world-class assets. We launched Rogers Satellite, the first and only wireless carrier in Canada to offer satellite-to-mobile. And we kicked off the new year with the launch of Screen Break, a new national program to help youth balance screen time.

Let me now turn to our fourth quarter results.

The wireless market remained highly competitive in a slower-growth environment. Total mobile phone net additions were 39,000. Notably, during the holiday period, we opted for a disciplined, balanced approach while our competitors pushed on economic loading. We executed well in this environment. We improved post-paid churn again this quarter to 1.43%, down 10 basis points, and increased margin by 40 basis points to deliver an industry-leading margin of 67%.

As the sector adjusts to the current low-growth environment, we continue to prioritize improving our fundamentals. We have demonstrated consistently that we will not lead or chase on economic loading. Instead, we are focused on delivering solid financials and balanced subscriber growth with the best value proposition.

For example, Rogers Satellite. Canadians can stay connected in areas where traditional cellular coverage isn't available, starting with text messaging, text-to-911, and now also includes data streaming for emails, popular apps that offer voice and video calling, apps that offer maps, and more. Rogers Satellite is now included in all our 5G+ plans in places where Canadians need it most, namely Atlantic Canada. And nationally, subscribers on select plans can enjoy Rogers Satellite at no additional cost. No other carrier in the country offers this technology or this coverage.

Stepping back, our disciplined approach is essential to investment that has enabled Canada to build and maintain its world-class networks, and Rogers continues to lead on that front.

In our Cable business, our balanced approach in the fourth quarter resulted in solid Internet subscriber net additions and industry-leading margins. Revenue for Q4 was up slightly over 2024, and Adjusted EBITDA was up 1%. We've materially turned around performance in a business that previously was declining service revenue at a rate of 4% per year. And our Q4 Cable margin of 59% is industry-leading once again. These strong fundamentals support the continued rollout of Rogers Xfinity services on the best entertainment platform with Canada's most reliable Internet.

Finally, in Media, the business delivered stellar results, reflecting the success and potential of our world-class sports assets. Q4 revenue of $1.2 billion was more than double one year ago, and Adjusted EBITDA was up more than fourfold. This was driven by two factors. First, the extended Blue Jays postseason run. Game 7 of the World Series was the most-watched Rogers broadcast ever, and the most-watched broadcast in Canada's history outside of the Winter Olympics back in 2010.

The second major driver of growth was the consolidation of MLSE results in the second half of the year. But the scale and strong profitability of our sports and media operations is impressive. Rogers pro forma 2025 Media revenue and Adjusted EBITDA, including MLSE for the full year and Blue Jays postseason revenue was approximately $4.1 billion and $400 million, respectively. This is well ahead of our initial expectations.

Clearly, Rogers has established a set of world-class assets with global appeal. And importantly, the strong financial and operational results position us well as we pursue sports monetization opportunities in the future, including purchasing the remaining 25% stake in MLSE later this year.

We believe this will have significant upside in our communication business, and the synergies will further enhance our value proposition to attract and retain customers.

We executed well on each of our core businesses in 2025 while successfully deleveraging the balance sheet back to pre-Shaw levels. We accomplished this a full nine months ahead of our initial three-year commitment.

In essence, we successfully completed, executed, and integrated the purchase of two transformational assets and de-levered ahead of schedule. Delivering on this plan has set us up to make the additional strategic investments in our Sports and Media business to drive long-term gains.

At the end of Q4, debt leverage was down to 3.9 times, an impressive 0.6-time improvement versus last year, and free cash flow was $1 billion, up 16% from one year ago. Driving greater CapEx efficiency is supporting the strong free cash flow. We reduced CapEx by 7% in the quarter and capital intensity dropped to 15%, representing our lowest level since the second quarter of 2017. We expect this to decline further in 2026 as we deliver further efficiencies, but also as we further cancel projects that are uneconomical in this current regulatory environment.

As noted this morning, our 2026 outlook outlines strong service revenue growth along with additional capital efficiency and higher free cash flow. Total service revenue growth is projected to be in the 3% to 5% range with Adjusted EBITDA growth of 1% to 3%.

We are also targeting additional CapEx declines in 2026, as I just mentioned, at the $3.3 billion to $3.5 billion range. This would be down from $3.7 billion in 2025 and from our high point of $4 billion in 2024, and we're projecting free cash flow to be higher, in the $3.3 billion to $3.5 billion range.

Overall, 2025 was a strong year. We moved forward on growth, capital efficiency, and delevering, and we positioned our sports assets for future value creation currently not reflected in our share price.

In closing, I want to thank our team for delivering strong results in a competitive environment. Our team's resilience, adaptability, and consistent disciplined execution stands out in the sector. Thank you to this team for their hard work in 2025 and for their continued commitment to drive growth in our three core businesses.

I'll now turn the call over to Glenn.

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

Roger's strong fourth quarter results close out a year of solid revenue growth, remarkable success from our world-class Sports and Media assets, and consistent execution and discipline in a highly competitive market. Importantly, we have delivered these results while driving substantial improvement in free cash flow, capital efficiency, and leverage reduction. We have met or exceeded each of our 2025 upgraded guidance metrics, and we will build on these successes going forward, reflected in our guidance for 2026. Let me start by covering our fourth quarter highlights.

In Wireless, the fourth quarter, the sector's peak selling period, was very competitive, particularly following Black Friday. Against a smaller market for new subscriber net additions, we saw heightened discounting from some of our peers throughout December, in our view chasing uneconomic market share. We have remained selective with our offers and have proactively elected not to follow our peers' heavy discounting, reflected in our comparatively lower net adds for the fourth quarter. Rather than follow, we have delivered balanced financial performance and subscriber growth, which better preserves service revenue for 2026.

In contrast, some of our peers' unsustainable discounting has continued through January, with this past weekend being another clear example.

Wireless service revenue was $2.1 billion in the quarter, even with 2024, while Adjusted EBITDA grew 1% to $1.4 billion, yielding an industry-leading margin of 67%.

Against the backdrop of lower immigration, we added 39,000 total mobile phone net additions, 37,000 of whom were postpaid subscribers on our Rogers premium service. ARPU is down 2.8% to $56.43 for the quarter.

Rogers full-year 2025 mobile phone subscriber net additions were 245,000, and we delivered an industry-best 345,000 combined net new mobile phone and retail Internet subscribers, reflecting the success of our market strategy and our true national scale spanning coast to coast. Importantly, our churn improved to 1.43% for the fourth quarter and to 1.11% for the full year.

Moving to Cable, we delivered healthy Internet subscriber net additions and industry-leading margins, and through the second half and for the full year of 2025 we returned our Cable business back to service revenue growth, a key objective our team has delivered on.

Retail Internet net additions were 22,000 in the fourth quarter, even with last year, and for the second straight year, we added another 100,000 net new retail Internet subscribers in 2025. Similar to Wireless, we are balancing subscriber growth with solid financials, and our combination of revenue growth while driving cost efficiency once again delivered an industry-leading cable margin of 59%, up 30 basis points from last year.

Turning to Rogers Sports and Media, our 2026 results very clearly reflect world-class scale and operating performance for RSM. Fourth quarter revenue grew to $1.2 billion, and Adjusted EBITDA was $221 million, both well above last year, driven by the tremendous Blue Jays World Series run combined with the seasonally robust fourth quarter from MLSE.

At $4.1 billion in revenue and over $0.4 billion in EBITDA when measured on a pro forma basis to include MLSE for all of 2025, Rogers owns one of the most substantial sports and media operations globally, right here in Canada. Our teams are truly iconic national franchises, with fans reaching from coast to coast to coast, providing a reflection for Canadian pride and a boost to Canada's economy. Rogers is extremely proud to be a part of it all. As you are aware, we intend to complete a sports monetization transaction after we purchase the remaining 25% minority interest in MLSE, which we expect will be later this year. We are committed to further delevering our balance sheet and unlocking the significant unrecognized value of the RCI share price from these world-class assets. More to come through 2026.

Turning to our consolidated results for the fourth quarter, consolidated service revenue is up by 16% to $5.3 billion, and Adjusted EBITDA is up 6% to $2.7 billion. For the full year, we ended the year with revenues of $21.7 billion and EBITDA of $9.8 billion, each up 5% and 2%, respectively. Capital expenditures were down 7%, notwithstanding now consolidating capital spending at MLSE.

With our lower capital investment and higher revenue this quarter, capital intensity declined to an eight-year low at 15%. Capital expenditures for the year were $3.7 billion, down 8% year-over-year, all while once again earning the distinction of owning and operating Canada's most reliable wireless and wireline networks.

Our improved capital efficiency over the past two years is also reflected in free cash flow, which was just over $1 billion in Q4, or 16% higher than a year ago. Our 2025 free cash flow was over $3.3 billion, exceeding our high end of guidance and up 10% year-over-year.

And in December, we completed the sale of our data centre business for $0.2 billion in cash, further strengthening our balance sheet and liquidity.

Our balance sheet remains strong, even during a period of significant investment in our core businesses. Debt leverage was down to 3.9 times, down by 0.6 times from last year.

At December 31, 2025, we had $5.9 billion of available liquidity, comprised of $1.3 billion in cash and cash equivalents, and $4.5 billion available under our bank and other credit facilities.

And finally, I'll note that our Q4 results now reflect the more normalized full-quarter distributions paid by subsidiaries of $119 million versus $14 million posted for Q3.

So overall, in Q4 Rogers delivered healthy, consolidated revenue and EBITDA growth, disciplined subscriber and revenue growth in our Wireless and Cable businesses, strong financial and operating performance in our Sports and Media business, increased capital efficiency resulting in higher free cash flow, and we continue to fulfill our ongoing commitment to strengthen our investment-grade balance sheet.

We are proud of our performance in 2025. Once again, we have led our sector across our key performance indicators, and we have met or exceeded our upgraded 2025 guidance, which was upgraded in Q3.

We anticipate this momentum will continue, as reflected in our 2026 outlook. We are targeting total service revenue and Adjusted EBITDA to increase in the range of 3% to 5% and 1% to 3%, respectively, in 2026. In addition, we anticipate lower capital expenditures in the range of $3.3 billion to $3.5 billion and higher free cash flow in the range of $3.3 billion to $3.5 billion. This outlook reflects our exceptional assets and strong track record for performance.

I want to express my sincere appreciation to our entire Rogers team for delivering these excellent results through 2025. We are well-positioned to run it all forward again for 2026.

With that, I will now ask Gaylene to open the call for our Q&A session. Thanks very much.

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 will 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, please press star, then two.

Our first question is from Vince Valentini with TD Cowen. Please go ahead.

Vince Valentini:
Hey, thanks very much. Zero to 3% for EBITDA in 2026, can you help us unpack a little bit what would cause you to think you'd be at the low end versus the high end of that? I assume the Blue Jays run is a tough thing to model and tough to assume you can make it to Game 7 of the World Series again, so maybe that's a swing factor. Maybe it's the wireless ARPU trend and some of this ebbing and flowing we're seeing in price promotions and you can't be sure what's going to happen throughout the full year. Maybe those are two factors within the range, maybe there's others. If you don't mind helping us try to understand what's in your minds.

Glenn Brandt:
I'm sorry, Vince. Let me start with the guidance on EBITDA for 2026 is plus 1% to plus 3%, so we do see growth.

Now I'll turn to your observations. You're right, it's difficult to model championship seasons. We do expect a strong return for the Blue Jays starting at the end of March with attendance, and we expect to have a competitive season, so we are anticipating a successful season, but you can't predict playoff runs for any of the teams.

But to go back, the EBITDA guidance is plus 1% to plus 3% on the year.

Vince Valentini:
Sorry about misspeaking on that, Glenn. But the range then, the biggest variance between the 1 and the 3 is just the unpredictability of playoff runs for the various sports teams. Is that fair to say?

Glenn Brandt:
No, I'd probably answer it with it's taking into account the variability across all of the businesses. If we go through all of 2026 with heavy promotional discounting in the telecom sector, particularly in Wireless, then that's a larger business and it's going to have a larger impact. We are focused on cost reductions and efficiencies across all of the units. We'll drive synergies within the RSM and MLSE business. We will continue to try and drive improved margins and efficiencies at both Cable and Wireless, but we'll try and find that balance across all of the units.

In terms of going after our margins and what have you, we've got strong margins throughout and you can see we've got strong performance within Media.

Vince Valentini:
Thank you.

Glenn Brandt:
Thank you.

Paul Carpino:
Next question, Gaylene.

Operator:
The next question is from Tim Casey with BMO. Please go ahead.

Tim Casey:

Thanks. Good morning. Tony, could you talk a little bit about what you're expecting or how you're thinking about the wireless market this year? Both you and Glenn have mentioned some of the discounting that's out there, which I think everybody on the call has noticed. Just how are you thinking about the market growth and competitive intensity? And then, just in terms of one thing that could help ARPU, you mentioned that Roger Satellite is rolled out now. Can you give us some perspective on how much of your base is going to get that service included in their plan, so we can get some sort of idea of the potential for upsizing some other subscribers? Thank you.

Tony Staffieri:

Thanks for the question, Tim, and good morning.

A couple of things as we think about, I'll start with market growth. In the fourth quarter, our estimate is, if you're to look at the total net ad market on the post-paid side, probably down about 50%, which is consistent with what we saw in Q1 to Q3. So, it was generally in line with what we expected.

As we looked at the competitive intensity, it was intense, as you expect, throughout the quarter, particularly after Black Friday. I would say that was the turning point in terms of price offers and promotional offers on rate plans that were unusually low, and we decided to be more balanced there in our approach in that final 40 days. We're pleased with where we ended up on balance.

As you would expect, all our net ads in post-paid are on the Rogers brand. We continue to focus on a value proposition that is beyond just price. Satellite is one. The other successful piece we saw play out in the fourth quarter was our tiered hardware strategy where discounting on hardware was tiered depending on the rate plans that customers came in on, and you see that in the positive hardware margin in the quarter. So, we're pleased with the way we executed in both the enterprise and consumer side of the business to come out with a balanced approach, and in the context of the full-year market share, we're pleased with where that landed.

As we headed into Q1, which, as you all know, it's an extremely low-volume quarter, we're surprised at the level of promotional discounting that continues on rate plans. It seems like a lot of calories for not much benefit in terms of subscriber, but I'll leave the actions to our competitors for them to justify and explain.

We see the outlook for the market this year in the 2% to 2.5% range, on balance. We see the new-to-Canada category, as we've talked about before, as being essentially zero, and so we're really looking at continued penetration gains and that has continued to follow a pretty steady path in that 2.5%, and so to buy some conservatism, I've said 2% to 2.5%.

We'll continue to focus on refining and evolving our value proposition and tiering our different rate plans based on benefits outside of just price.

You mentioned satellite, and that's one of the key ones that's been extremely successful for us. We had over a million, as you mentioned, during the beta trial period, and as we went to full launch, we used the competitive advantage of satellite in two ways: One, to target areas where all cell coverage of all carriers combined cover only a small part of the area or the region, and that's why in Atlantic Canada, we decided to make it available in all our rate plans. So for as little as $60, folks out there can get a rate plan that covers the entire region, but also out into the waterways as well for those in industries and first responders that need to rely on that.

Then more broadly, we've included satellite within our top tier plans for free for a period of up to 24 months, and what we're trying to do in the initial stages is really drive adoption of the technology. Technology has come a long way. It started only nine months ago with texting only and text-to-911, and by the time we went live, almost a full year ahead of schedule, we now have data and data streaming available. So you could use WhatsApp, voice and video calling, Google Maps, AccuWeather, and a number of other data applications that really improve the functionality of the satellite technology.

It's been something for us in the enterprise space, particularly IoT, and if you think about the applications in remote areas in the resource industry, as well as first responders, government agencies across the nation. It's been a big help for us in opening doors in that context and signing up customers.

We're not disclosing the number of subscribers on it, but you can expect that just given the way we've done the construct to maximize the penetration that the number is significant, and we expect it to be a key component of our value-add strategy.

Tim Casey:
Thank you.

Paul Carpino:

Thanks, Tim. Next question, Gaylene.

Operator:

The next question is from Batya Levi with UBS. Please go ahead.

Batya Levi:

Great. Thank you. Against the backdrop you provided for lower-volume growth and a pickup in competition in promotions and Wireless, how should we think about Wireless ARPU this year? And if you could also address if roaming continues to be a headwind, or are we starting to lap that? Thank you.

Tony Staffieri:

Thanks for the question, Batya. I think a couple of things.

In terms of, as we look to the ARPU profile, certainly we look at trends in ARPU in and reprices amongst the base. There's a couple of pieces there. The team—I've mentioned this on previous calls, we continue to have very effective and continually improving base management skill sets within the organization. As you'd expect, we continue to adopt tools that give us more and more insights into consumer and business behaviour in terms of what they're looking for. And we continue to focus on those value propositions, as I said, beyond price, that are important to them. And those have been key contributors to the reduction in churn that you're seeing in our base. And by the way, that's in both Wireless as well as the Wireline side of it in terms of Internet churn. So we're pleased with that.

If you look at ARPU in, ARPU in continues to be on the positive side and so we're pleased with that, albeit at a slowing rate as a result of some of the promotional activity that's out there. But we're trying to ensure we have a mixed balance. And as I said earlier, all of our net adds continue to be on the Rogers brand and you can expect us to continue our brand consolidation strategy. More and more of our marketing efforts and promotional efforts will be around the Rogers brand and centered on value proposition outside of just price.

With respect to roaming, that is something that in 2025 weighed on ARPU and we reset in the second half of the year our value proposition with respect to the roaming offers, both for U.S. and Mexico, as well as international, with the objective of trying to increase the adoption of our roaming plans for travellers. We had saw a continual decline in periods leading up to 2025, and I'm pleased to tell you that the volume side of it is up. We're betting that the attractiveness of the new plans and the way we've priced them in the market will drive sufficient volume to stop the roaming decline in revenue being headwinds on ARPU.

So it's going to take a little bit of time to see how that plays out. Certainly, the March break period is going to be a very good barometer on the appeal of the plans. So it's hard to predict the roaming impact in terms of how much headwind, if any, it'll be as we approach the back half of the year.

All that to say, in terms of ARPU growth, we're not going to guide on when we expect that to return to growth, but it will be a slow climb in our view as we work through those pieces.

Batya Levi:
Got it. Thank you.

Paul Carpino:
Thanks, Batya. Next question, Gaylene.

Operator:
The next question is from Drew McReynolds with RBC. Please go ahead.

Drew McReynolds:
Yes, thanks very much. Good morning. First for you, Glenn, just on the free cash flow guidance. Certainly great to see the stepdown in CapEx, a little bit greater than, I guess, the step up in free cash flow. Just wondering if you could just help us on the kind of below the line items, whether it's interest cash taxes, minority interest distributions, just anything to flag there.

Then second, maybe for you, Tony, on the Internet market, obviously Rogers continues to perform well, delivering stable cable results, but sustaining pretty good Internet net adds. One of your competitors alluded to November, December, more operators experimenting with TPIA and seeing a higher level of competitive intensity. I would just love to hear your thoughts on what your observation was of the Internet market, and then your kind of views on TPIA.

Glenn Brandt:
Maybe I'll just start quickly on the question around free cash flow, Drew. It's really a blending across each of those lines and candidly factoring in the variability across the ranges for CapEx and EBITDA, interest, tax, right on through CapEx. So we're just trying to capture some of the variability across each of those. I don't point at any one of them as being a prominent theme.

Tony Staffieri:
Andrew, on your question on Internet in terms of what we saw play out in the fourth quarter and what we continue to see now, I would describe the promotional activity on Internet as being somewhat stable, certainly not what we've seen on the Wireless side. We're pleased with the ARPU profile in Internet. Our strategy has been and continues to be to focus on having the best Internet in terms of reliability, first and foremost, and speed, and we're glad to see some of the recognition that we're getting on speed as well when it comes to Internet across our entire national platform.

So our market share and our value proposition has been centered around best Internet combined with the Rogers Xfinity platform, which includes video as well as some home monitoring services as well. That seems to be working well in the marketplace for us. So you see it in very solid, steady progression of market share on Internet. That's in both the east and the west and so we're pleased with the way that's playing out.

Our capital investments in our network continue to pay dividends for us in terms of customer satisfaction, so we're pleased with that.

And then you layer on top of that our fixed Wireless access or our 5G home Internet product. That continues to do well, and we continue to make refinements of it, particularly in markets where we don't otherwise have a wireline network. So it's a combination of those that we see working well.

In terms of wholesaling or TPIA in our markets, we don't see it having much of an impact so there's not a lot I could share with you. I mean, we continue to look at the market and what we need to do to adapt, but we're not seeing any signs of anything significant in terms of our competitors' TPIA initiatives in our markets. I'll leave it at that.

Drew McReynolds:

Okay, that's great. Thank you very much.

Paul Carpino:

Thanks, Drew. Next question, Gaylene.

Operator:

The next question is from Maher Yaghi with Scotiabank. Please go ahead.

Maher Yaghi:

Great. Thank you for taking my question.

Tony, I just wanted to go back on the Wireless question. Throughout 2025, it seemed like towards the end of the year, we started to see some rational pricing taking hold and all of a sudden, we saw this increased pricing pressure happening and the promotions at the year-end. And again, I'm puzzled by the recent price pressure that we saw on the discounting side last week and this week.

As an operator, when you look at subscriber loading slowing down, last year it didn't seem like it bothered a lot of people, but it seems like this year, companies are clamoring to get subs at any price, just to offset the pricing pressure that the industry is facing.

The question I have is, do you feel that there's risk to the downside on price, given that we're seeing a very quick slowdown in subscriber growth and companies are trying to fill in the blank here through some kind of a marketing push to get subs at any price?

Tony Staffieri:

Yes, Maher. I'll pick up on the comments I made earlier.

We always start with what the reality of the market is, and it's really a couple of things. One is, it is a slower growth market, but it's still growing, as I said, in the 2% to 2.5% range and we've adjusted our expectations on volume for that.

As we think about the fundamentals in our business—and I'll talk to that. I really can't talk to the strategy that our competitors have and how they think about volume versus ARPU, but we're trying to ensure that we're squarely focused on revenue growth, service revenue growth, and having leading share of service revenue growth. When we unpack that, we look at volume, and volume not just in one specific period, but over a longer period of time and how we're doing in market share, and what we're doing in the marketplace in terms of pricing.

And so, as I said, our approach was to be balanced. There's a segment of the market—and we saw it play out in the fourth quarter—that is more price sensitive and is perhaps less interested in some of the value-add features when it comes to satellite and coverage and/or when it comes to things like hardware discounting. And so, we were very, I would say, prudent in the extent to which we played in that segment.

There are certain price points that we see as being uneconomical, and while you can get market share and get subscribers, we don't see building the fundamentals of our Wireless business on the back of price plans coming in at, say, $20, which you see in the marketplace today. We don't get the logic on that, and we don't get how our competitors are thinking about that as building a solid wireless business on fundamentals. But that's over to them. As I said, we're focused on balancing it, and you see that balance come through in our margins. In the fourth quarter, 67% margin in Wireless, very strong.

And so, it's all of those factors together that form part of our playbook and I think you can expect us to continue to follow that playbook. From time-to-time we may enter the fray in terms of some promotional activities for specific dates, but those will be very finite periods. We're staying focused on the broader fundamentals of our value proposition that continue to drive growth in ARPU in.

Maher Yaghi:
Okay, great. Maybe just a follow-up to Glenn on the free cash flow question that was asked earlier.

I'm trying, just for modelling purposes, if the backhaul deal is cash flow neutral as continues to be the expectation, where's the drag coming from? Significant CapEx reduction and that's definitely a positive to see for a cable operator, but where's the drag coming in that is nullifying some of the benefits from the CapEx reduction? Glenn, please. Thanks.

Glenn Brandt:
There's not really any more detail to provide than what I answered earlier, Maher. There's not a drag. There's not a category that is grinding it down. It's more just trying to be prudent on where we're setting the guidance and the expectations with the variability across each of the elements.

The distributions are, as I've said; you see the normalized run rate in the fourth quarter. There will be a little bit and a very minor amount of variability between that and the interest savings and the tax lines. You see what our guidance is on CapEx.

The one thing that could affect timing is timing on when we transact the acquisition of the 25% interest in MLSE and when we execute on the recapitalization of our Sports and Media properties. Obviously, that will pay down debt. If that comes later in the year, you'll see those savings predominantly in ‘27 rather than ‘26. If it comes earlier in the year, say in Q3, well, then that's a longer period of savings in ‘26. But I can't put a date on that until we determine timing with the 25% holder.

Those are the largest items. Thanks, Maher.

Maher Yaghi:
Thank you.

Paul Carpino:
Thanks, Maher. Next question, Gaylene.

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

Stephanie Price:
Hi. Good morning. On the CapEx guidance, I was hoping you could break down the drivers of the expected improvement in capital intensity a little bit more. And just related, you mentioned a focus on reducing the cost structure in a lower growth environment. If you could talk a little bit about the areas where you're thinking about some additional cost savings here.

Glenn Brandt:
On the capital spend, we are largely through the integration of the Shaw-Rogers transaction and combining the firms and still a little bit of investment in our business systems, but most of that has been complete and so it's more the standard fare of ongoing update and maintenance of our business systems. So that's a more normal run rate.

It's reflecting just the fact that we had elevated investment as we've acknowledged and as each of you have indicated for several quarters and years, and we've said for some time now we are consciously looking to bring that down; 2025 was the start of that, and you see it continuing in ‘26.

We continue to invest, but we've got strong presence in Wireless from coast to coast. We have a very strong presence in wireline from coast to coast. There is some greenfield growth, but with lower immigration comes lower home builds and so it's across the board where we've got a little bit less investment pressure. We continue to find the opportunities, though, to find growth.

Stephanie Price:
Thank you.

Glenn Brandt:
Thank you.

Then on the cost side—sorry, on the cost side, we're continuing to drive scale and efficiency improvements within Cable and Wireless, but we've got a particular opportunity within Media to drive the synergies as we combine RSM and MLSE. We have started that exercise on a very preliminary basis with having acquired control. That will really focus in earnest as we combine RSM with the Blue Jays and Rogers Centre with MLSE. So some of that opportunity will hit in ‘26. You see some of that in the numbers. Some of that will come in ‘27.

Stephanie Price:
Great. Thank you.

Glenn Brandt:
Thank you.

Paul Carpino:
Thanks, Stephanie. Next question, Gaylene.

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

Jerome Dubreuil:
Hey, good morning. Thanks for taking my questions. Number one is on the wireless market. So what we've seen in the budget in the fall didn't really change the trajectory of immigration expectations, it seems, but you're calling for market growth of 2% to 2.5%, which is pretty good in the context. So maybe if you can dive into the qualitative reasons maybe for the continued penetration increases that you're seeing and how long that may last. Thank you.

Tony Staffieri:
Morning, Jerome. I'll start.

In terms of the 2%, 2.5%, if I understand your question, sort of a bit of unpacking and where that's coming from. I'll start at the highest level, which when we look at penetration gains, we've consistently seen over a very long period of time penetration in that range in terms of second, third, fourth lines, etc. There's a few factors for that. Before I get to them, I will say if you to look at penetration in the U.S., we've consistently lagged but track very closely in terms of the penetration that you see there.

So some of the factors that drive that second, third lines and fourth lines are obviously a big component of it. And in many ways, we've led in trying to promote that with our add-a-line strategy and the pricing that we introduced in mid last year to help promote that. That's one of it.

Our hardware strategy and discounting is tied to number of lines as well, so it's one further factor.

And then what we're seeing more and more on the enterprise side is organizations looking to have their employees have two phones. Particularly with heightened cybersecurity and IT risks that are evolving quickly, many more organizations are opting to have employees use the business phone solely for business and so what we're seeing is the adoption of two or more phones in the workplace. So, that's one additional factor; something that's been in the U.S. enterprise side for some time and we see that evolving.

So, a combination of those specific drivers combined with the macro trends that we've seen and have been seeing for a long time is what gives us somewhat confidence on that type of growth rate.

Jerome Dubreuil:
That's great. Second question for me is on the CapEx. Good to see decline in expectations there.

Glenn did a good job in unpacking the impact from Shaw and a couple other items, but you've also mentioned that with the regulatory environment some of the investments are now uneconomical. If you can talk about what specifically those are, maybe on the Wireless versus the Cable side, and if this impacts the network evolution and roadmap at all or other things. Thank you.

Glenn Brandt:
Thank you, Jerome. I think, look, just from a general overview, not anything specific, but we've got an environment where you see some of our peers leaning in on TPIA competition outside of their traditional footprint. You see some uptake on MVNO traffic and what have you. All of those have an impact on the ability to invest in a country as broad-reaching as Canada is with a thin band of urban markets and corridors that are well covered. You then start reaching into the rural markets and more remote regions. The economics driving that investment are already tight in a thinly populated region, and when you start, whether it's Wireless or fibring for wireline coverage, and where you start having government programs that encourage TPIA competition, it affects the ability to invest in those areas and make a return.

The reason for some of our peers leaning in on TPIA outside their footprint is exactly because of that, because to invest in those areas is difficult, and yet it then affects the companies that are investing.

We have opted to lean in hard on our own networks. We're using—outside of footprint, we're focused on 5G HI and using our own wireless network to grow our market area, but some of our peers are opting otherwise. Those are the factors that come into it.

Add to that the restriction on immigration going on at present, and that won't last forever but while immigration numbers are low, there is just not as much opportunity for higher levels of capital spend.

Finally, I'll bring it back to what I said earlier: Our capital intensity has been high in recent years as a result of a number of factors, not the least of which is investing and bringing together Rogers and Shaw successfully, and so some of that is also affecting the decline in our capital investment for 2026.

Jerome Dubreuil:
Very clear. Thank you.

Glenn Brandt:
Thank you.

Paul Carpino:
Thanks, Jerome. Gaylene, we have time for two more questions, please.

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

Aravinda Galappatthige:
Good morning. A couple of quick questions. First of all, on the cable side of the business, I think, Tony, you indicated that you feel like the promotional intensity is a little bit more manageable, relatively speaking. Obviously doing well on the positive side in terms of growth and revenue and EBITDA, but I wanted to get a sense of what it would take to pick up EBITDA growth to sort of that 2% mark. You did achieve that in the middle of ’23, Q2 and Q3, but obviously there are many moving pieces. Considering, yes, you have high margins, but there are arguably more streamlining options and prospects given the technologies that are in development these days with AI and so forth, I just wanted to get a sense of what the dynamics there would be.

Then perhaps related to that real quickly, on the restructuring charges, I did see it kind of tick down a bit in Q4. I recognize one quarter can be misleading but, generally speaking, how should we think about restructuring costs on a go-forward basis? Thank you.

Tony Staffieri:

Aravinda, I'll start with your question with respect to the opportunities for further cost efficiencies in Cable. Let me start by saying we're always committed to making sure we are the most efficient operator, and I think Glenn's going to speak to that. So hopefully you and our stakeholders have confidence that we know what we're doing when it comes to looking for efficiency in the Cable side of the business, and as we look to our cost structure there, we continue to see opportunities as we adopt new technologies, especially on the digital side.

If you were to look at the relative digital interactions between Wireless and Cable, most of it would be on the Wireless side. And so we are working through and implementing tools that are going to substantially continue to improve the customer experience, the time for recovery for customers, and the response rate for customers dramatically.

We always start with a mindset of how can we continue to improve the customer experience and the customer needs, and as we implement tools to drive that, what we're finding is the outcome is a much more efficient operation, and that's what's dropping the cost, as opposed to broad brush areas to go after.

I'll just say more broadly that we continue to see opportunities, and that will continue to drive EBITDA growth. But I do want to caution we're at a very strong margin position at 59%, and so I want to be realistic as well and not get too far ahead of our skis in terms of where that could go to.

Glenn Brandt:

On the restructuring charges, just adding in on that, we've largely completed the restructuring or reorganization work following the Shaw Rogers transaction. We have some additional work now coming on Media and RSM. Smaller size and scale in terms of certainly breadth of operations and number of employees, but still significant, particularly for the RSM business and its scale. So you will see more as we work through that. Some in '26; I suspect a heavier part of that will be in '27. The timing of that will depend upon how quickly we can come to close on buying out the 25% interest. It really starts in earnest once we're able to combine Blue Jays, Rogers Centre, RSM with MLSE.

Aravinda Galappatthige:

Thank you.

Glenn Brandt:
Thank you.

Paul Carpino:
Thanks, Aravinda. And Gaylene, our last question, please.

Operator:
Thank you. The last question is from Matthew Griffiths with Bank of America Merrill Lynch. Please go ahead.

Matthew Griffiths:
Great. Thanks for taking the question. My first one is just on the retail distribution network that you have, particularly for Wireless. I mean, traditionally, I think that has been viewed as a strength in a growing wireless market, but the wireless market has obviously changed. So, do you still view the benefits of having a very expansive distribution network the same way? Or is that like a source of potential cost savings going forward that you could mine?

Then just secondly, on the sports topic, Glenn, just wondering if you had any kind of updated thoughts that you can share on valuation and just maybe if you could unpack the steps going forward. Obviously, there's the mid-year Kilmer kind of negotiation. Should we expect there to be a long period where you execute on synergies before you then go on to a process of trying to monetize the asset, and how long that might take. It would just be helpful to understand the timeframes and the steps that you're following. Thanks.

Tony Staffieri:
Sure. Okay, Matt. I'll start on the retail distribution.

We have what we believe is the strongest retail distribution network across the country, and we've expanded the effectiveness of it to have bundled and converged services. And so, while traditionally they were focused on Wireless, what we've seen over the last several years is an increasing ability to effectively market and sell our cable products and small business products through our retail outlets, particularly in the context of our 5G Home Internet. And so, we want to be very careful as we continue to look for cost efficiencies that we don't disrupt the competitive advantage that we have there.

I would say there are two broad structural things that will continue to, I would say, streamline our retail distribution outlets, and one is our brand consolidation strategies. So, as we have our brands more and more focused on Rogers, then you can expect the consolidation of some of the retail outlets with our other brands.

The second large structural impact on the retail distribution outlook is digital. And as our capabilities continue to improve quickly in the customer experience and our ability to get them the phone that they want within hours as opposed to days, then what we're seeing is digital transactions picking up. And over the course of time, we think that's a structural impact to our distribution network in terms of retail. So, we'll toggle it sort of at the right time, but as I said, we want to be very careful on how we do that so that we aren't missing out in terms of market effectiveness.

Glenn Brandt:
Then, Matt, on your questions on Sports, you've pointed out we have the option trigger that happens in early July, so midyear. There's a well-defined process around that which is fairly predictable in terms of timing and so I expect we'll work through that.

We are already starting to drive some synergies just through our control position at MLSE. There will be more, as I said, as we combine our operations. But I'd step back and say you see with our results from 2025 where we've got if we pro form as if we had owned and controlled MLSE for the entire year, even including the period prior to which where we had the control position, the EBITDA for that combined entity is $400 million—well, more than $400 million in 2025.

Our peers' media companies are not seeing the levels of growth that we are seeing across our Media properties. We have some of the strongest properties focused in sports with MLB, NHL, and then NBA as well. We are enjoying growth in advertising, growth in viewership. Many of our peers with their media operations are facing declines. So that, even before we start driving synergies, is going to be attractive. And so, no, there won't be a long delay waiting to drive synergies.

We are seeing tremendous interest in the asset and the transaction. We just need to get the order right. We need to combine the operations first; that'll come after buying control. And along with that or coincident with that, we are talking with potential investors and approaching the market, and we'll do so through this year, and be ready to combine and bring a transaction as a relatively fast-follow to buying out the minority interest. There's tremendous interest around it, so there's no need to wait.

Tony Staffieri:
Thank you, Matt.

Paul Carpino:
Thanks, Matt, and thanks, everyone, for joining us. Please feel free to reach out to IR if you have any further questions. Thank you.

Glenn Brandt:
Thank you, everyone.

Tony Staffieri:
Thank you.

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