Rogers Communications Inc.
Third Quarter 2023 Results
Conference Call Transcript

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Speakers:

Tony Staffieri
President and Chief Executive Officer

Glenn Brandt
Chief Financial Officer

Paul Carpino
Vice President, Investor Relations

Operator:
Welcome to the Rogers Communications Inc. Third Quarter 2023 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 signal 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:
Great. Thank you, Ariel, and good morning everyone. Thank you for joining us.

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

Today's discussion will include estimates and other forward-looking information from which our actual results could differ. Please review the cautionary language in today's earnings report and in our 2022 Annual Report regarding the various factors, assumptions, and risks that could cause our actual results to differ.

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

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

I'm very pleased to report that we delivered industry-leading results in the third quarter, our seventh consecutive quarter of growth and momentum. We also made substantive progress on integration, and we are now tracking six months ahead of our synergy targets and deleveraging plans. Our team is clearly firing on all cylinders, executing with discipline and delivering on our commitments.

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Turning to results, we grew total service revenue by 40% and Adjusted EBITDA by 52% in the third quarter. Our consolidated adjusted margin performance of more than 47% is 340 basis points higher than our competitor, BCE, and also 1,000 basis points higher than TELUS. We are clearly delivering through a consistent strategy that focuses on the quality of our assets, operational efficiency, and disciplined execution.

In Wireless, we delivered industry-leading financial and operating results. We attracted 261,000 mobile phone net additions, up 40,000 from a year ago. This reflects the best combined post-date and prepaid loading in our Company's history. This phone-only loading represents 94,000 more than BCE, and over 100,000 more than TELUS. We did this while growing ARPU. Simply put, we continue to out-execute our peers and have done so consistently for the last two years.

We also delivered impressive financial results in the quarter. Wireless service revenue was up 15%, Adjusted EBITDA was up 18%, and Wireless blended ARPU up 4%. It's clear, Canadians are choosing Rogers more than any of our competitors.

In Cable, we saw market share gains accelerate across the East and the West. These gains are driven by our new bundled offers, our network investments, and our 5G leadership. In the quarter, we added 18,000 Internet customers. While we need to grow revenue, we've turned the corner on subscriber trends. Looking ahead, Alberta and British Columbia represent our fastest-growing revenue markets, and we see good growth opportunity ahead. It's clear we're creating more competition in the West and Canadians are responding.

We also delivered Cable margins of 54%. This represents a margin expansion of 650 basis points compared to last year, and clearly demonstrates our focus on driving profitable growth despite a highly competitive market.

Let me now turn to the Shaw integration. We just passed the six-month milestone and I'm very pleased with our momentum. Impressively, at the six-month mark, we are tracking six months ahead of our synergy targets and deleveraging plans. By year-end, we now expect to have a run-rate of $600 million in synergies and reach a debt leverage ratio of 4.8x. As you will recall, we had planned to reduce our leverage by 1.6x in 36 months after close. In just six months, we've already reduced our leverage by 0.5x, well ahead of plan.

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Operationally, we have achieved some key milestones. We introduced Rogers Internet and TV services along with bundled offers. We've consolidated our retail footprint, rebranded our corporate retail stores, and starting selling both Wireless and Residential services in our retail channels. Importantly, we have largely integrated the two teams and we are executing with one clear focus and plan. Overall, we've made significant progress in a short period of time.

In the third quarter, we also led the industry with new technology and more affordable services. In Q3, we were awarded the best and most reliable 5G network in the country, for the fifth year in a row. We launched 5G in the busiest sections of Toronto's subway system, and we are now upgrading the rest of the legacy network to 5G. Working around the clock, our teams will expand the network to the remaining 75% of the tunnels where no wireless network exists today.

We introduced new technology to help detect and prevent forest fires, partnering with SpaceX. Satellite-connected sensors can better predict wildfires in remote areas without wireless networks. We're also deploying AI cameras on cell towers to detect smoke up to 20km away.

We expanded Connected for Success, our low-cost Internet program to Western Canada, and we just introduced Connected for Success Wireless across the country, available to 2.5 million low income Canadians. The program builds on our commitment to make our services more affordable and accessible.

We also introduced 48-month device financing with 0% interest and no mobile contract, only on a Rogers credit card. This Rogers-owned bank credit card platform reduces the monthly phone payments for our customers by 50%. Beyond that, the card offers a host of additional meaningful value-add for our customers, including free roaming, and starting this holiday season, up to 3% cash back, the most valuable credit card aimed at rewarding, keeping, and attracting customers to Rogers Wireless and Cable services.

With today's inflationary pressures, we're working hard to bring down prices and present more value for Canadians. According to the StatCan Consumer Price Index, wireless prices have declined over 30% over the past three years.

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Looking ahead, we will harness the power of Canada's largest and most reliable 5G network to bring Canadians even more. This, along with our 10G and DOCSIS 4.0 Internet roadmap will ensure we deliver the next generation of world-leading services for Canadians. The future isn't just about more speed, it's about the convergence of products and services across networks. 10G will bring multi-gigabit speeds, along with reliability and low latency to deliver a seamless customer experience in and out of the home.

As a national cable operator that covers the majority of Canadian homes, we have a unique advantage. We don't have to rip out and replace our existing network or dig out neighbourhoods. With 10G, we'll easily and economically upgrade our network with little to no disruption for the customer.

Before I turn it over to Glenn, let me make a couple of closing comments. Overall, it was a record quarter, reflecting a clear focus and consistent execution. We delivered industry-leading results, exceeded Shaw integration targets, and delivered industry-leading innovations to Canadians. We have momentum and we are winning in the market. We could not have done this on a consistent and sustained basis without the commitment, tenacity, and ingenuity of our Rogers team, and for that, a big thank you to the most talented group I've ever worked with. Well done, team.

With that, I'll turn it over to Glenn.

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

Rogers' third quarter results reflect strong disciplined execution, driving growth and accelerated de-levering of the balance sheet. Six months in to coming together with Shaw, we are doing what we said we would do. We have grown consolidated EBITDA by 52% year-over-year, and we have reduced leverage by a half turn through 2023, roughly six months ahead of schedule.

In Wireless, our third quarter service revenue was up 15%, reflecting strong execution and healthy underlying organic growth. Excluding the $91 million customer credits from last year, Wireless service revenue growth was up 9%.

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Post-paid mobile phone customer net adds in the quarter were 225,000, our strongest post-paid mobile phone loading on record, and an impressive 37% increase year-over-year. Coupled with our positive prepaid loading, total mobile phone net adds this quarter was 261,000, up 40,000 year-over-year and the strongest loading ever by a Canadian wireless company.

We have welcome approximately half a million new post-paid mobile subscribers to our network year-to-date, reflecting 64% more subscribers than our next closest rival, all while delivering growing EBITDA and ARPU. Our leadership in wireless is clear. We have consistently led our peers in wireless loading for two years now, with Canadians choosing Rogers Wireless more than any other carrier.

Wireless ARPU for the quarter was $58.83, which is up 4% year-over-year. The 4% increase reflects the prior year's $91 million in customer credits, which in turn was partially offset by the absorption of the Shaw mobile customers in this period. After adjusting for the integration of the Shaw mobile customers, combined with removing the prior year's $91 million customer credits change, ARPU was once more up slightly year-over-year. We expect this momentum to continue.

Post-paid mobile churn in the quarter was 1.08%, up slightly year-over-year, reflecting a competitive market.

Wireless Adjusted EBITDA was up 18%, and our Adjusted EBITDA margin of 64% was up 180 basis points year-over-year. Excluding the credits from last year, underlying wireless Adjusted EBITDA growth was up an impressive 9% year-over-year.

We are gaining subscribers in all segments of the market and in all regions of the country, driving sector-leading financial and operating performance on the back of disciplined execution in a healthy, growing market. Importantly, sector competition remains vibrant and strong as ever, largely centred around value, service quality, and multi-service bundling discounts. We are encouraged by our sustained Wireless performance and we'll look to continue that momentum in the quarters to come, by delivering exceptional value and service quality to Canadians.

Moving to our Internet and Cable business, we delivered strong profitability despite intense competition and promotional pricing from our national peers. Our integration of Shaw and driving cost synergy targets are both well ahead of plan. We have largely completed our integration of Shaw's departments

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and employees into our combined end state, driving significant cost synergy savings, and we are seeing strong revenue synergies with our Cable and Wireless growth in the West.

Cable revenue for Q3 was up 104%, and Cable Adjusted EBITDA was up 132%, reflecting the addition of Shaw's operations, as well as the prior year's $59 million in customer credits. Excluding the impact of the customer credits, total revenue was up 93% and Adjusted EBITDA was up 106%. Impressively, our work on driving efficiency across our national cable footprint has delivered EBITDA margins of over 54%, or a 650 basis point improvement from last year.

Organic revenue and Adjusted EBITDA growth across the combined operations was negative 3% and plus 8%, respectively. Cable is growing customers in every region. Internet loading was 18,000, up from 6,000 last year, and Video net additions grew by 23,000, compared to an increase of 7,000 in the prior year. The wireline market remains very competitive in the East and West, and we continue to balance subscriber growth with disciplined financials. Six months into coming together with Shaw, we are very excited by the Shaw opportunity. It is reinvigorating growth across our national Cable footprint.

Finally, our Sports and Media business has also seen continued growth and improvement in our financial performance. Sports and Media revenue is up 11% this quarter, as a result of higher sports-related revenue, primarily driven by the Toronto Blue Jays and Rogers Sportsnet, and we delivered Adjusted EBITDA of $107 million, up a very strong 41% year-over-year.

On a consolidated basis, Q3 revenue was up 36%, while service revenue grew 40% to over $4.5 billion. Consolidated Adjusted EBITDA was $2.4 billion in the quarter, up a very strong 52% versus prior year, growing our Adjusted EBITDA margin by 500 basis points to 47.3%. Excluding the impact from customer credits last year, total revenue was up 31% and Adjusted EBITDA was up 39%, reflecting strong disciplined execution on driving the Shaw cost synergies and competing for leading market share.

Q3 adjusted net income increased by 56% to $679 million, reflecting the flow-through of higher Adjusted EBITDA.

Net loss for the quarter was $99 million, which included a one-time noncash $422 million loss recorded on a future obligation to purchase at fair value the non-controlling interest in one of our joint venture

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investments. The Q3 net loss also reflects higher depreciation and amortization, finance and restructuring, acquisition, and other costs, primarily related to our Shaw acquisition.

Capital expenditures in the quarter were up 17% year-over-year to approximately $1 billion, with roughly half of that invested in Cable. Notwithstanding this increase, average capital intensity declined in the quarter by 330 basis points to 20%, predominantly split across Cable and Wireless. Despite the increased investment, we were able to more than double our free cash flow in the quarter, delivering an after-tax free cash flow of $745 million.

Finally, we returned $264 million in dividends to shareholders this quarter. Starting with our October dividend payment, we have amended our dividend reinvestment program, or DRIP, to introduce a small discount on the DRIP share price and to allow for the issuance of Treasury shares to settle the DRIP dividends. With that change, on October 3, 2023, we issued 1.5 million Class B non-voting shares, or $74 million worth as partial settlement of the dividend payable on that date under the terms of our DRI, reflecting a participation rate in the DRIP program of 28%. On an annualized basis, that translates to a dividend cash payout ratio of approximately 30% of after-tax free cash flow.

Turning to the balance sheet; in September 2023, we issued $3 billion of Canadian bonds across three-year, five-year, seven-year, and 10-year maturities. As a result, at September 30, we had over $7 billion of available liquidity, including $2.5 billion in cash and cash equivalents and a combined $4.8 billion available under our bank, credit, and other facilities. Our weighted average interest rate on all borrowings is 4.9% and our average term to maturity is 10 years.

Our adjusted debt leverage ratio at quarter-end is 4.9x, and by year-end, we will have taken a half turn off our leverage, roughly six months ahead of schedule. We anticipate leverage will continue to sustainably decline by approximately 0.1x to 0.2x each quarter going forward. Early on, after coming together with Shaw, we had targeted reducing leverage by approximately 1.5x over 36 months. We are well on our way and pacing ahead of schedule to achieve this target.

For our 2023 guidance targets, we anticipate free cash flow coming in at the middle to upper range of our guidance of $2.2 billion to $2.5 billion. As well, we are reaffirming our 2023 guidance ranges for service revenue growth of 26% to 30%, Adjusted EBITDA growth of 33% to 36%, and reaffirming that capital expenditures will be at the upper end of our guidance range of $3.7 billion to $3.9 billion.

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Finally, our integration with Shaw is running smoothly and ahead of plan. Our Q3 results reflect approximately $140 million of cost synergies realized in quarter, building on the $48 million realized in Q2. This brings the year-to-date total to $188 million realized year-to-date, well ahead of our previously stated $200 million in synergies realized by year-end. We now expect over $360 million in synergies to be realized in calendar 2023, which is 80% higher than previously guided. We expect to be at our $600 million annualized synergy run rate by the end of 2023, again roughly three to six months ahead of schedule.

I will close by saying that our third quarter results reflect disciplined market leadership, operational excellence, and strong financial results across all business lines. Our Shaw integration is proceeding extremely well and our investment thesis becomes stronger with each quarter. We have never been more excited about our future and we are encouraged for what lies ahead. Thank you for your interest and attention this morning.

With that, Ariel, can you please commence with the questions-and-answers? Thank you.

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 are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

Our first question comes from Drew McReynolds of RBC. Please go ahead.

Drew McReynolds:
Yes, thanks very much, and good morning. So much to dive into; very good results, obviously, so I'll just limit myself to kind of two areas here.

First, just with respect to the synergy realization, and obviously being well ahead, so great to see; Glenn, can you give us any sense of—without obviously giving guidance, I'm presuming, the cadence of what you expect on the synergy realization as we go through 2024, and milestones that investors

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should be looking for there. And, if you're able to potentially do more than a billion, as I think some have speculated.

Then the second area, just on the Wireless momentum, a unbelievable Q3, for sure. As you look into Q4, what are you seeing so far in the quarter in terms of the environment, and what would be your expectation as we play the quarter out? Thank you.

Glenn Brandt:

Thank you, Drew.

On the synergy target, we're still targeting the billion dollars. I'm not going to start targeting a larger number. I think, once we've worked through those targets to get to the billion dollars, the exercise then simply turns to when—and we'll turn through that, to really, what's our year-over-year growth, rather than trying to continue to do the accounting on where would our costs be without Shaw. As we move forward, that exercise becomes more and more difficult to try and un-spin.

We are still focused on driving the billion dollar synergy cost reductions. The progress to-date has very largely been on the departmental and employee integration. We have essentially, or very largely completed that part of the synergy exercise, well, well ahead of schedule. We were first expecting that to run into 2024. That is largely complete as we've closed out the third quarter. That's most of the gains that we've made to-date. We are, though, also bringing in synergies from some of the vendor contract negotiations, and rationalizations, or combinations.

The two largest buckets then remaining are for the third party vendors, just a general category, as well as media content costs. We are leaning in on those, and I expect that those will come to plan at least on pace if not also being maybe a little bit ahead. But we have synergy costs well in-hand. We'll be at a $600 million run rate as we close the year.

Tony, on the Wireless side?

Tony Staffieri:

Drew, with respect to the second part of your question, a couple of comments. One, I would say the macro environment for Wireless continues to look strong. We exited Q2 as an industry with growth in

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Wireless subscribers of over 5%, and we continued to perform well in terms of market share on that backdrop. The growth in the industry, of course, better penetration rates, but importantly, the continued growth in the new-to-Canada category continues to seem strong, even as we exit the third quarter and into October and November now. That category continues to grow, and we do well in terms of market share in that category.

From a broad environment, we continue to see good health in the market. As we went through back-to-school, as you would expect, competitive intensity picked up, and really pleased with the way we executed in that competitive environment to look at value propositions beyond price and utilize our industry-leading channels, particularly in retail, to execute strong market share performance.

As we exited Q3 and are now into, and approaching Black Friday, we continue to see good, healthy competition, and our execution in that backdrop continues to do well. So, continued strong environment and performance in Wireless for Q4.

Drew McReynolds:
Thank you both.

Glenn Brandt:
Thank you, Drew.

Paul Carpino:
Next question, Ariel? Ariel, next question, please?

Operator:
Our next question comes from Sebastiano Petti of JPMorgan. Please go ahead.

Sebastiano Petti:
Hi, thank you.

Just wanted to unpack, while you are guiding to the higher end of the free cash flow range, EBITDA being unchanged seems a little bit conservative, particularly in light of the higher expectation for synergy realization in 4Q and exiting the year. Anything to unpack there? Is that just a bit of

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conservatism related to just the overall operating environment, or is it perhaps investments related to Shaw?

Then relatedly, second question, on the Cable revenue side, good colour on Alberta and B.C. revenue trends; Tony, I think you said overall strategy or expectation goal is to drive revenue growth in Cable. But how does the East compare perhaps to what you're seeing in the West? Maybe help us think about some of the levers you can pull to get to, or reinvigorate the Cable growth revenue side. Thank you.

Glenn Brandt:
Sorry, Sebastiano, on the free cash flow guidance, we'll come in at the mid to high end. I'm not dampening that at all. We're on a fairly flat run rate, or constant run rate, in terms of our CapEx through the year. The EBITDA guidance we raised earlier in the year, in terms of the tightened range, I think if you roll those through, we'll be in the mid to higher range, higher end of that guidance range on free cash flow/ I'm satisfied with that, at somewhere in the range of $2.4 billion or $2.5 billion of free cash flow. That is plenty of leeway for us to work on our delivering plans. I'm satisfied with that progress and pleased with where we've come out on that.

Tony Staffieri:
Sebastiano, on the second part of your question on Cable revenue, I'll start with, it really comes down to the fundamentals. With the coming together of Shaw, we took the opportunity to reset our value proposition so it was much more consistent across the entire footprint of Rogers, together with Shaw. What you see is us leveraging what has always been our competitive advantage on Internet, with leading speeds and reliability across the entire footprint, so that we could offer, at a minimum, 1.5 gigs of speed. That's always done well for us.

We've then combined that with a repackaging of the Video product to make it much simpler and a real value-add for customers, which has started to resonate well. It's early days, but it's started to resonate well, and you see that with the increased Video subscribers there as well.

As part of that value proposition, we also leaned on looking at everything else that was of value to customers and not just focus on price in various markets. What you see is, year-on-year, even after adjusting for last year's credits in the Cable business, you see ARPA actually increasing year-on-year. You see coming together, a good increase in subscriber performance and a good increase in ARPA,

and those are really the fundamental ingredients that we'll continue to push on that, in due course, we'll see revenue start to climb in Cable as well.

A couple of things I would say, you were specific about East and West. I would say what we are seeing is good growth in both of those segments, so really pleased with the way that's going. The bundled offers are also hunting well, particularly in the West, which is a new category for us in terms of bundled. We're really pleased with both Wireless and Cable market share gains that we're seeing in those markets. It's a combination of a few fundamentals, a combination of focused execution on a market-by-market basis to ensure that we're getting the share gains that we need to eventually translate that to growth in revenue.

Sebastiano Petti:
Thanks again.

Glenn Brandt:
Thank you, Sebastiano.

Paul Carpino:
Next question, Ariel?

Operator:
Our next question comes from Vince Valentini of TD Cowen. Please go ahead.

Vince Valentini:
Yes, thanks.

Just maybe clarify on that last point? Then another question, when you're talking about market share gains, Tony, I mean, clearly 18,000 Internet adds compared to what we saw from Bell and TELUS doesn't look like on an absolute basis you're gaining market share there. But, are you talking more holistically about Wireless subs in a bundle, as well as standalone Internet when you talk about market share?

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Tony Staffieri:
Yes, two things, Vince. Thanks for the opportunity to clarify.

One is we do talk about it in terms of a bundle. The other is, given the differing size of footprint, we look at what we're doing with respect to penetration rates of homes passed. What we see is, contrary to prior quarters where we had a decline in penetration rates, we're starting to see those penetration rates start to improve. That's how we think about it.

Vince Valentini:
Okay. The other question I have is just on the noncore asset sales. Last quarter I think, or maybe it was the conferences in September, you seemed reasonable confident there could be some announcements before the end of this calendar year. We're mid-November almost, so I'm just wondering if there's any update on that? Are you still confident on that front, Glenn?

Glenn Brandt:
Thanks, Vince.

Yes, we're still working through a process on a few different exercises. Still confident on the timeframe of hopefully having announcements in-year and closing—again, still looking to close, if not in-year this year, certainly first half of next year for a number of those.

Vince Valentini:
But obviously when you say 4.8x target for the end of the year for leverage, you're not factoring in any of those asset sales?

Glenn Brandt:
That's correct. That's correct. That is just straight from the synergy and organic growth we have in the business, and the use of free cash flow.

Vince Valentini:
Thank you.

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Glenn Brandt:

Thank you, Vince.

Paul Carpino:

Next question, Ariel?

Operator:

Our next question comes from David Barden of Bank of American Merrill Lynch. Please go ahead.

David Barden:

Hey guys, thanks for taking the questions. I appreciate it.

Well done on the loadings this quarter; if one were to critique it, one might say that some of the pricing actions that you took during the quarter impacted your ability to take share. If one extrapolated from that, one might imagine that pricing in the industry is a little less stable than people would hope, and that in reaction to your very strong loadings in the quarter, it's an inevitability that other competitors are going to have to come back with their own pricing actions. I was wondering if you could kind of extrapolate a little bit, or elaborate a little bit on that dynamic in the Canadian market?

Then second, if you could share with us what you think the impact and import of the new CRTC interim regulations on wholesale pricing for broadband are for Rogers and the industry generally? Thank you.

Tony Staffieri:

Thanks, David. Two parts.

On the first part of the question with respect to pricing, I'm not sure I follow the logic and the facts that you're looking at. Just to put it in perspective, we've been clear in terms of our strategy of focusing our brands and brand evolution on the Rogers brand. What you saw us do earlier in the year is expand the Rogers value propositions to include capped plans, not unlike you see in the U.S., all focused on the Rogers 5G brand. Our competitors decided to expand their value offering in the flanker brands; a different strategy. We'll follow our strategy, and it seems to hunt well in the marketplace.

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I think we talked about it on the last call, but for clarity, the intent of introducing capped plans at the $55 entry point was clearly intended to provide a path for customers on flanker 4G to upgrade to the 5G experience, with a nominal increase in price and ARPU. What you saw is actually, in our opinion, a value creation for the segment, and you see that for us in the organic ARPU side of growth that we have. Albeit it mild, it nonetheless is on the positive side of the growth when you look at the ARPU ledger, and so we're pleased with that.

David Barden:
Mm-hmm.

Tony Staffieri:
Our sense is that the strategy is working, not only for Rogers, but frankly for the industry here in Canada. We're pleased with the trending that we see on that, and as we look to Q4—and we're about midway through now, we continue to see, again, positive momentum in terms of attracting customers that are coming in year-on-year, higher, in terms of ARPU. When you look at the combination of our targeted approach across the brands, and the various what I would call value segments, that ladders up nicely to a good and solid ARPU trajectory. Of course, that's all wrapped together in the revenue growth that you see, translated to a very good flow-through rate, a significant flow-through rate, and strong, strong margin expansion and performance. Hopefully that provides the colour around that.

The second part of your question relates to the recent CRTC decision, not a lot to say on that. I would say a couple of things. One, it's good to see that it levels the playing field. We've been required to wholesale, under the regulatory regime, high-speed Internet for quite some time, so it's good to see a level playing field. Two, when we look at the rates that have applied, they're not that different than the wholesale rates that we've had for our network over the last little while. We continue to improve our performance in that regulatory regime and figuring out the right value proposition, to perform, and as I said in response to the earlier question, stabilize and start to improve our market share performance.

David Barden:
All right. Thanks, Tony.

Paul Carpino:
Next question, Ariel?

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Operator:
Our next question comes from Maher Yaghi of Scotiabank. Please go ahead.

Maher Yaghi:
Great, thank you for taking my questions. Guys, good job on the quarter, congratulations. It looks very strong.

I wanted to ask you, if you can, maybe just for housekeeping, help us understand what was the organic revenue growth and EBITDA growth for both Wireless and Cable? That would help a lot.

Now, on the synergy, it's definitely tracking above and faster than expected. Can I ask you maybe, how are you handling the organizational shift? As you said, you had a lot of employee changes, restructurings, departmental changes. How are you making sure that the path and the momentum that you have in the marketplace can continue with these significant changes happening inside the organization?

Maybe just one last point on the West; when you look at the market share gains that you talked about in Wireless, Tony, what's the path? How much more—what's the market potential for you there to keep gaining market share in Wireless, and who are you taking the share from, in your view? Thank you.

Glenn Brandt:
Thank you, Maher.

I'll start with your question on the growth rates. In Wireless, if I remove the impact of the prior year credits, our pro forma service revenue and EBITDA growth both would've been up 9%. That's also within Cable, factoring in the prior year credits as well, the pro forma service revenue growth would've been down 3% and the EBITDA growth would've been up 8%. That split obviously reflects the largest part of the cost synergies going through Cable. Some go through our corporate offices; most of them are going through the Cable operations.

Tony Staffieri:
In terms of the second part of your question, in synergies as we execute through those, Maher, it starts first and foremost, and I've said this in the past—we are extremely pleased with the set of assets, and

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in particular the team that has come together with Shaw. In terms of the talent, the commitment, and as I said in my comments, the tenacity of this team and desire to do the right thing for customers, it's just phenomenal. As we come together, we've been focused on a few messages that I'll leave with you.

One is, let's keep it simple for the customer. Let's keep it simple for us. We have a very clear focus on the things that are going to matter most, and we try not to overload our execution agenda and stay focused on outcomes. What you see is that coming together in both the West and the East. We're really pleased with the way that's come through. As I look to our performance in this fourth quarter, now that we're midway through, we continue to see good continued momentum on the synergy execution.

In terms of the question on the West and where we're getting market share from, I would say a couple of things. We're very laser-focused on the brands. As I said on the earlier question, we very much focus on a market-by-market and segment-by-segment basis to ensure we've got the right value proposition and the way we carry that through in our channels. In terms of where it comes from, I would say it's coming from, first and foremost, the growth in the market.

Then secondarily in terms of which competitors are being impacted, I would say it's probably over to them to talk about it now that you've seen all their results. It comes from a number of different areas. We're less fussed about where it's coming from and more focused on what's our relative share performance in total and for each market.

Maher Yaghi:
Great. Thank you very much.

Glenn Brandt:
Thanks, Maher.

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

Operator:
Our next question comes from Tim Casey of BMO. Please go ahead.

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Tim Casey:
Oh, thanks. Two for me.

Glenn, just revisiting the notion of keeping your EBITDA guidance unchanged but the progress you've made on synergy targets and run rate there, once again, are you being conservative about the macro environment, or Black Friday promotions? Just curious why you wouldn't bump EBITDA guidance up a bit for Q4 given the progress you've made.

Second, on the synergy progress, do you still have any heavy lifting to do in terms of consolidating billing systems and customer support systems? I know there was a lot of work with Oracle that had to be done there. Just curious if that's behind you, or if that's still on the come? Thanks.

Glenn Brandt:
Sure. Thank you, Tim.

On the first one, you can appreciate, when we set our guidance, we set a range around expectations for the different categories that go into it. The same is true of synergy. I can be conservative and I can also be optimistic when I set those ranges.

I assure you that, if you look at the dollars, we had telegraphed that, or guided that we would achieve $200 million of cost synergies in-year; I'm now guiding over $360 million. It's a significant acceleration and significant progress on a timeline to get to those. But in the consolidated hole, where we're running a business that's now essentially at $8.5 billion to $9 billion of EBITDA, $100 million of progress, it's one, in our input range or variables that we use to go into the guidance, and two, relative to the $9 billion, it's a fairly small change. It doesn't cause me to want to bump the EBITDA guidance range, Tim. That still applies. We did tighten it; when we came out earlier this year, we tightened the range for the EBITDA growth. We'll be in that tighter range, and nothing more really to say on that.

On your question around the billing or other platforms we have, that project is particularly our enterprise resource planning, or ERP program, platform that is underway in terms of consolidating across the two companies. That is progressing well. It's on plan, or on schedule. We've had a couple of modules that we've released, we have a couple more still to come as we move into and through 2024. In fact, that'll roll into very early 2025, potentially to complete.

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That's really reflecting the fact that it'll either end just before or just after holiday season next year, and you don't do anything with ERP or systems while you are entering into that key period. So, on plan with those, pleased with progress so far. We had an important release just over the past couple of weeks in terms of our financial systems and what have you. It's gone well. I'm pleased with the progress there.

Tim Casey:
Thank you.

Glenn Brandt:
Thank you, Tim.

Paul Carpino:
Next question, Ariel?

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

Aravinda Galappatthige:
Good morning, thanks for taking my questions and congrats on the quarter from me as well.

A question on Wireless and then a clarification. On Wireless, obviously very strong loading; we know that historically, Rogers has sort of being quite dominant in terms of new Canadians on immigration. With the focus in that area, even greater than it was at an industry level than in the past, can you maybe talk to how that dominance, or that higher share has sustained over the last several quarters, when immigration numbers have been going up and driving the volumes?

Then secondly, a clarification for Glenn; thanks for the organic numbers. I just want to clarify the Cable EBITDA growth of 8%. That obviously includes most of the 140 in synergies. It does kind of back out to perhaps a high single-digit decline in Rogers Cable, organically. I know you don't get too deep into that, but I just wanted to understand if there was anything there that needs to be highlighted? Thanks.

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Tony Staffieri:

Aravinda, on the first part of the question, the new-to-Canada category continues to be strong, as I've said earlier on the call. Our performance and dominant market share in that segment continues to be strong as well, and that's across the country as you look to those numbers, so we're pleased with the performance there. I'm not going to get into the tactics that we use to get there, for competitive reasons, but overall pleased on pacing of it and our relative performance in that category.

Glenn Brandt:

Then Aravinda, on the organic growth within Cable, I think, we've said consistently that Cable is a work in progress in terms of turning around the decline in revenue, and we are on that. That will obviously help lift obviously stronger growth in EBITDA as we are successful in turning that around.

You're right, a significant part of that 8% is the impact of the cost synergies; that's the strength of our business, though. That's now embedded in our business. We'll continue to grow on that, as well as continuing to grow as we turn around our revenue. I haven't done the math in terms of whether or not if I pull out this and pull out that, would it be up or down. The simple truth is we've done some heavy lifting in removing those costs, permanently removing those costs, and you see, notwithstanding what has been a 3% decline in revenue organically, we have had a very substantial 8% growth in EBITDA. As we turn revenue around, that's going to be a pretty powerful business case, and I'm looking forward to that.

Aravinda Galappatthige:

Thank you.

Glenn Brandt:

Thanks, Aravinda.

Paul Carpino:

Next question, Ariel?

Operator:

Our next question comes from Batya Levi of UBS. Please go ahead.

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Batya Levi:
Great, thank you.

A question on CapEx; with this year coming in a bit at the high end of the guidance range, should we assume that's pulling forward some of the spending for next year, or can you provide some general colour on CapEx trends for next year? Thank you.

Glenn Brandt:
Thank you for the question.

I think that's not pulling anything forward. That's carrying on with the current run rate and closing out the year. I'm very broadly rounding now, but I think we've been fairly consistent through the year, running at or around a billion dollars a quarter. If we sustain that pace through the fourth quarter, recognizing that there's a holiday period in there and some of that spend tends to slow as we move into the winter months, that pace would take you to the upper end of the guidance range.

Going forward in 2024, the combined operations, we haven't guided yet but we're not pulling anything forward. We'll come out with our guidance early in '24.

Batya Levi:
Great. Thank you.

Glenn Brandt:
Thank you.

Paul Carpino:
Next question, Ariel?

Operator:
Our next question comes from Stephanie Price of CIBC. Please go ahead.

Stephanie Price:

Hi, good morning. Two from me. First is, you mentioned strength in bundling in the West. Just hoping you can dig a little bit more into what you're seeing in terms of bundling the Western customer base, and also how we should think about upside from revenue synergies with Shaw?

Then secondly, just on the role of wireless handsets in the Rogers strategy, equipment revenue trends seems to be ahead of peers here. Just wondering if the ability to finance handsets with the help of the Rogers bank card might be supporting the trend? Thank you.

Tony Staffieri:

Thanks, Stephanie, for the questions.

Just let me unpack that. I'll start with the last part of the question, in terms of the longer-term financing under the Rogers credit card. It's early days, and the customer take-up and interest in that has been very strong, not surprisingly. I mean, the value proposition is to amortize the cost of the phone over double the period when it's on the card. The total quantum of financing doesn't change, it's just over a longer period of time. While there's no contract, the construct is such that the value proposition makes it compelling to be and stay a Rogers customer, and that's the way we've designed that value proposition.

Importantly, it dovetails with what we're seeing as the longer life of the mobile devices. Consumers and businesses continue to hang on to devices longer, and we're seeing that over the last several years as a trend, so dovetailing that longer life with a longer amortization period makes a lot of sense. But again, it's early days, and we're looking forward to how that's going to play out over the holiday season.

In terms of bundling opportunities, in the West specifically, the coming together with Shaw, where you had Shaw customers that were either Shaw Mobile and/or Shaw home product customers and Rogers Wireless customers, what we saw is—while you would expect customers that were already clients of Rogers and Shaw coming together and trying to understand how that coming together into one bill was going to impact them, we got what we expected on that, and that was good. But more importantly, what we're seeing are customers that had one product set but not the other looking to simplify things and bring together their product suite. Again, at the end of Q3, six months into it, it was more demand than

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we expected this early in the process. We're pleased with the market trend and appetite of customers to put together products between Wireless and Cable.

Then, the last piece is revenue synergies and how that's coming. To some extent, the bundling that I just talked about is one aspect of it. As I said, that's coming in better than we expected, this soon in the process. But the second piece that we've talked about is on the enterprise, and in particular the mid to small business, and what we're seeing there is the same thing: a very good appetite of business customers to look to alternatives that they previously didn't have in the West, and being able to combine those. Many of the product sets on the business side, more and more have converged, and so to the extent that they have one easy experience between their businesses inside, as well as when they're outside of their business, that seems to hunt well. As we streamline our product set in that segment of the market, we're seeing very good traction there. Hope that covers it, Stephanie.

Stephanie Price:
Thank you.

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

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

Simon Flannery:
Great, thank you very much. Good morning.

I wanted to talk a little bit about CapEx, if I could. I think one of the opportunities you saw in the West was to extend the network to MDUs that had not been connected. Can you just update us on that, and just give us a little bit more sense of the timing, where you are on the DOCSIS 4.0 upgrade? What should we expect in '24 and beyond to move that to completion? Thanks.

Glenn Brandt:
Thank you, Simon.

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On the capital spend, specific to wiring up MDUs in the West, it's underway. Early days; we're six months in, through the third quarter, and halfway through the fourth. Those planning schedules are well underway in terms of getting permits and what have you. In some cases, we have started some of that build, in other cases still to come, but we're about where we would expect to be, and so, happy with that.

Tony Staffieri:
On the second part of your question, Simon, on the 10G DOCSIS 4.0 roadmap, where we're at on that, we are, as you would expect, extremely fast follow relative to where our U.S. cable peers are. The work, with respect to mid and high-split, not to get too technical, is well underway. Our expectation is that—the bigger lift on that is in the East, and that work is progressing nicely in terms of it.

As we look to the CPE and the chipset availability, we will have that much along the same timelines that you're hearing from the U.S. cable operators. Look to the back half of '24 as the beginning of what you'll see in terms of customer experience improvements.

Simon Flannery:
Great, thanks a lot.

Paul Carpino:
Thanks, Simon. Ariel, will we have time to squeeze in two more questions, please?

Operator:
Certainly. Our next question comes from Jerome Dubreuil of Desjardins. Please go ahead.

Jerome Dubreuil:
Hey, good morning. You've been great to provide details on synergies, but it's not necessarily easy to figure out, on top of what exactly we should put the billion dollars. I know it's not the kind of questions Management teams like, but given the forecast that we see out there, do you think it's likely that your Cable margins could be around 60% in 2025?

Glenn Brandt:
Thank you for the question, Jerome, and I love your optimism.

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I'm not going to start guiding '24, let alone '25 this morning. Let me answer it this way; we've got, two capital-intensive businesses, in Wireless and Cable, with strong margins. Wireless right now is 64%, Cable is 53%, and they are both growing or expanding, as you would expect for a business that has a larger scale. We have essentially doubled the size of Cable with the Shaw acquisition. That brings some economies with it, it brings some additional capital spend with it.

Wireless' margins cover its investment in infrastructure, as well as its investment from time to time in spectrum. Very satisfied with the balance across all of that, particularly as a result of having increased the scale substantially, for Cable to now roughly match where we are with Wireless, in terms of national breadth, and size of EBITDA and revenue.

Do I think there's room for further growth in Cable on its margin? Yes. We have posted the margin we have this morning on the back of a small decline in revenue year-over-year in the quarter. That's a pretty strong performance. There's more opportunity ahead, but I'm not going to guide beyond that, Jerome, I'm sorry.

Jerome Dubreuil:
Yes, that's understandable. Thanks.

Glenn Brandt:
Thank you.

Paul Carpino:
Great. Thanks, Jerome. Last question, Ariel?

Operator:
Our final question comes from David McFadgen of Cormark. Please go ahead.

David McFadgen:
Thanks, guys for squeezing me in. Just two questions.

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Just on the mobile phone net adds, obviously very strong. Just kind of wondering, how many of those are on a bundle, and specifically in the West? Because it looks like you're starting to really drive some revenue synergies from the Shaw acquisition.

Then secondly, on the leverage, you talked about your expectation to be able to drop it by 0.1x and 0.2x per quarter. Does that factor in the DRIP participation that you talked about and issuing stock from Treasury, and what's the participation rate again? Thanks.

Tony Staffieri:
David, I'll start with the first one, in terms of mobile net ads and the extent to which they're coming in on the bundle. I'm not going to disclose that type of granularity, but to put it in perspective, I would say in terms of product convergence, and therefore the bundling, it's early days. While we're seeing good success in the overall scheme of total Wireless loadings, it still is the minority, not the majority, to be clear. I just wanted to put that in perspective.

It's disproportionately better in the West, only because we now are an alternative in the West. We're new to the category of being able to bundle, and so we're seeing very good market acceptance there. In the East, we've always been able to offer that bundle opportunity, and that continues to do well in the East as well. That's how you ought to think about the trends on that and the relative size.

Glenn Brandt:
Then, David, on the DRIP program, we launched that, as I said, for the October quarterly payment. The take-up rate, with the first payment that it was available was 28%, very pleased with that take-up. At a 30% run rate, that would translate to roughly $300 million a year of cash savings. I'll let you all know, I understand and acknowledge that that does not mean the dividends didn't get paid; they got paid with our most expensive capital and shares. But that's how these programs work, and that is how we will preserve just that much more of our free cash flow to nominally pay down debt and de-lever, as well as by de-levering through earnings growth.

We do factor that in, Dave. It's one of many variables that we will factor in as we go forward. But yes, that's included, as I say. I expect we will come down by 0.1x to 0.2x per quarter, roughly a half turn a year, and we're on track for delivering exactly that. Keep in mind, from time to time, there will be spectrum investments made. In one particular quarter here or there, they may be on the lighter side of

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the 0.1x to 0.2x, but we are delivering very strong earnings growth and very strong free cash flow generation to continue that pace to de-lever. Very satisfied with where we are on it.

David McFadgen:
Okay. All right, thank you so much.

Glenn Brandt:
Thank you, David.

Paul Carpino:
All right. Thanks, Dave, and thanks everyone for joining us today. If there's any follow-up questions, please reach out to the IR team. Thank you.

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

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