Rogers Communications Inc.
Fourth Quarter 2021 Results
Conference Call Transcript

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Speakers:

Tony Staffieri
Chief Executive Officer

Paulina Molnar
Interim Chief Financial Officer

Jorge Fernandes
Chief Technology and Information Officer

Paul Carpino
VP Investor Relations

Operator:
Welcome to the Rogers Communications Inc. Fourth Quarter 2021 Results Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded. Following the presentation, we will conduct a question-and-answer session. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero.

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

Paul Carpino:
Thanks, Ariel. Good morning, everyone, and thank you for joining us.

Today I'm here with our President and Chief Executive Officer, Tony Staffieri, our Interim Chief Financial Officer, Paulina Molnar, and Jorge Fernandes, Chief Technology and Information Officer.

Today's discussion will include estimates and other forward-looking information which our actual results could differ. Please review the cautionary language in today's earnings report and in our 2020 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 pleased to join you today in my new role as CEO of Rogers. It's a privilege and an honour to serve the Rogers' Board and our shareholders, especially at such an important time for our Company. We're embarking on a year that will see us come together with Shaw, to bring lasting benefits to Canadians, and that will see us execute with an intense focus in each of our businesses, supported by increased investments in our networks and customer experience.

Today, I'll take you through some highlights of our fourth quarter results. I will also share details on my priorities for this year and provide commentary on our 2022 full-year outlook, then Paulina Molnar, our interim CFO, will provide a more detailed review of the quarter.

Starting then with our fourth quarter, our results demonstrate stable execution during a very busy and competitive period. Our wireless business continues to lead our recovery, delivering further improvements in net new customers, improved growth in both service revenue and ARPU, and importantly, improved customer retention levels as seen in our churn metric. Wireless postpaid net additions were 130,000, up 14% from the levels seen last year, and postpaid churn improved four basis points. Wireless service revenue growth was solid, and we saw good flow-through to profitability on this growth with strong gains in Adjusted EBITDA and a strong recovery in blended ARPU.

In our cable business, our results were stable despite the ongoing impacts of the pandemic, but we're not satisfied with the performance in this area. That's why we've made changes to improve momentum and drive increased revenue and profitability in our cable business. Even prior to our integration with Shaw, our newly created home and business division will allow us to focus on better leveraging the exceptional quality of our network and Ignite product family while enabling a best-in-class experience for our customers. We can and will do better in this segment, and by improving performance now, our organization will be able to better capitalize on the broader national opportunities that the Shaw transaction will provide.

Moving from beyond the fourth quarter and into 2022, our focus will be on three core priorities. Our first priority is to successfully close the Shaw transaction and deliver the synergies we have previously announced and the many benefits it will bring to Canadians, in particular the rollout of 5G and connecting underserved regions of our country. Digital infrastructure in the form of 5G and broadband are vital to Canada's success and prosperity, yet despite its importance, there are still too many consumers and businesses that do not have the connectivity they need. That is why just in the last week, we announced the extension of 5G into eight new communities in Eastern Ontario. We also announced a significant infrastructure investment that will improve connectivity along Highway 4 in British Columbia, the vital artery connecting the communities of Tofino, Ucluelet and Port Alberni to the eastern part of Vancouver Island, and there are more to come.

While we have made real progress towards bridging the digital divide, the challenge of delivering networks across Canada is significant, and the arrival of 5G brings us to a defining moment in our nation's history. This is where the combined Rogers and Shaw will play a key role. Together, we'll accelerate our investment in wireless and wire line networks, offer consumers and businesses next generation services, and help close the connectivity gap between urban and rural communities faster than either of us could do alone. The combination will also create a true competitor to Canada's only other national network, creating choice for business, government and consumers.

Teams from both Rogers and Shaw have been working to ensure the regulators have the information they need to fully assess the significant benefits that the combined Company will bring to businesses, consumers, and the Canadian economy. We're allowed to do so by the regulatory review process. We have also been working together on integration plans which will allow the combined Company to hit the ground running following approval. As we get closer to a final decision by regulators, we will keep all our stakeholders as up to date as possible on our progress.

Our second priority is to drive better execution across our entire business. Our performance has lagged our peers over the past few years. We know we can do better, so we will continue to make the necessary changes to improve our performance, provide exceptional service to our customers, and build long term shareholder value. We have the networks, services and a talented team. With a renewed focus on execution, I know we can achieve our full potential as a business.

The third priority comes back to the importance of networks. Rogers has delivered world class award-winning networks for decades, and we are committed to building on that legacy. We are increasing investment in our network to capitalize on market growth and 5G opportunities and to address the need for better digital infrastructure across Canada. In addition, fixed wireless and expansion of our cable footprint are key parts of our plan to drive growth in our cable business in 2022 and beyond.

Rogers was the first company in Canada to launch 5G two years ago and the building blocks we've put in place over the past two years with universities, industry groups, and enterprise customers are starting to set up Canadian businesses to succeed in today's digitally enabled world. Our Kirkland Lake Gold announcement earlier this week is a good example of the opportunities brought to life with 5G.

Kirkland Lake Gold is a Canadian gold company with a mine called Detour Lake. It's an important mine for Canada's economy; in fact, it's the second largest gold mine in Canada, and it’s remote - 300 kilometers north of Timmins, Ontario, not the kind of place you think of rolling out 5G so soon. Yet by working with Rogers, Detour Lake Mine has become the first of its kind in Canada to be fully connected over a 5G wireless private network, providing enhanced coverage, end-to-end reliability, full redundancy, and a low latency network across its 80 square kilometer operation.

In cable, our Ignite platform continues to deliver industry-leading performance across our entire footprint. We are expanding our GPON-based fibre to the premises network in strategic areas and continue to modernize our HFC technology across our cable footprint, which offers 1.5 gigabits of internet speed in many areas today and will offer faster speeds as new customer premise technology evolves. We also continue to evolve our DOCSIS 3.1 platform to DOCSIS 4.0, which will provide us with an efficient and economical path to deliver multi gigabit speeds to millions of homes and businesses across a national footprint. Furthermore, by working closely with our strategic technology partner, Comcast, we benefit from its scale and advanced technical roadmap which helps reinforce our network leadership and deliver a premium customer experience.

Moving beyond our priorities, as you read in our press release this morning, we have reintroduced full year guidance for 2022. This reflects an acceleration of revenue growth, Adjusted EBITDA, and free cash flow growth as well as increased investment in our networks. Our guidance also reflects the anticipated benefits from changes we are making towards improving our performance in key areas. Note that we are providing our guidance without giving effect to the acquisition of Shaw, the associated financing, or any other associated transactions or expenses.

Total service revenue growth is anticipated to be in the 4% to 6% range in 2022 as all three of our major businesses continue to emerge from the pandemic, as well as improving revenue fundamentals in each of these businesses. We expect our wireless growth to be fueled by a continually expanding population base in a country with comparatively low penetration rates, combined with continued growth and usage of our services on a per-customer basis, including more data usage and more travel-related roaming services. Our cable business should start to see benefits from our footprint expansion plans, the extension of fixed wireless access to rural communities, and the improvements we're making in our go-to-market strategy to improve performance in this segment. Finally, our 2022 outlook includes the anticipated returns of fans at the Rogers Centre for Jays games, which we anticipate will allow media to deliver positive Adjusted EBITDA this year.

For consolidated Adjusted EBITDA, we anticipate growth in the range of 6% to 8%, benefiting from the growth and recovery initiatives I just highlighted as well as a renewed focus on efficiency and cost management activities in 2022, which should come in even prior to the close of our Shaw transaction.

For our CapEx investment in 2022, we anticipate our spending to be in the range of $2.8 billion to $3 billion. Increases in our capital spend compared to last year will be directed to network investments, and as well our allocation of capital within our total CapEx envelope will have more allocated to network, maintaining our advantage in cable and expanding our cable footprint, as well as the continued expansion of our 5G network. Finally, despite the increased spending in CapEx, we anticipate free cash flow to grow to a range of $1.8 billion to $2 billion, up from $1.7 billion generated in 2021. Overall, our guidance reflects the confidence we have in executing improvements in each of our businesses.

In closing, this is an important moment in the evolution of Rogers. We have the right priorities for 2022: close Shaw, execute better, and invest where it matters, and we have an incredible team that is committed to executing on our go-forward priorities. Momentum is building, as you can see in our results and our outlook. We have what it takes, and I'm very excited for what we are going to accomplish.

Let me now turn the call over to Paulina to share more details about the quarter. Paulina, over to you.

Paulina Molnar:
Thank you, Tony, and good morning, everyone. Our Q4 results reflect continued improvements across our businesses during the ongoing COVID environment, and we met or exceeded the financial expectations we provided during our Q3 call in October.

In wireless, we delivered postpaid net customer additions of 130,000, or a 14% increase from one year ago. The net additions included high quality mobile phones of 141,000 driven by solid execution and the continued reopening of the economy for most of the quarter. Starting in Q1 of 2022, we will be enhancing our wireless postpaid net additions definition to reflect mobile phones only, similar to our peers. Correspondingly, blended phone ARPU will reflect phones only as well, but we will continue to provide the split between postpaid and prepaid phones.

Moving to churn, despite the higher promotional activities that are characteristic of Q4, we delivered a churn rate of 1.15%, a four basis point improvement from one year ago. Wireless service revenue growth was strong, up 6% year-over-year and exceeded our previously provided 5% outlook. Blended ARPU of $51.47 also continued to recover, up 3% compared to Q4 last year. The sequential and year-over-year service revenue and ARPU improvements reflect the increase in roaming revenue as well as more customers on higher data tier plans.

While roaming was ahead of our previous outlook, it has not fully recovered as travel remains muted. Roaming revenue was approximately 78% of pre-pandemic levels seen in Q4 of 2019. Finally, wireless Adjusted EBITDA was up 5% despite an active promotional environment, and Adjusted EBITDA service margin remained a strong 63% in Q4.

In our cable business, our financial results remain stable. Total revenue and Adjusted EBITDA were both flat year-over-year and cable Adjusted EBITDA margins continued at a solid 51%. This was relatively unchanged from one year ago. Finally, capital intensity of 23% and cash margins remained at a healthy 27% in Q4.

On a product basis, we continue to see growth in our internet and Ignite TV subscriber base, including 21,000 retail broadband subscribers within our overall net internet additions. Ignite TV also grew by 56,000 this quarter, bringing the subscriber base up to approximately 800,000. This total reflects a 45% increase or an additional 244,000 subscribers from one year ago.

Moving to our media business, revenue grew 26% as sports broadcast advertising continues to recover. Adjusted EBITDA was slightly better than we previously guided for Q4 at negative $26 million. The year-over-year change in revenue and Adjusted EBITDA is notably skewed by the timing of pro sports season schedules and broadcasting rights fees in 2021 versus 2020. In Q4 of this year, professional sports leagues resumed their full regular season schedules, whereas leagues last year were operating on compressed and adjusted schedules.

At a consolidated level, total revenue for the fourth quarter was up 6% and Adjusted EBITDA was down 4%. The decline was primarily driven by the $108 million year-over-year difference in our media results.

During the quarter we incurred restructuring, acquisition and other costs of $101 million, of which $62 million is associated with the integration of the Shaw transaction, including the related bridge financing costs.

Capital expenditures in Q4 were $846 million, or 29% higher than last year. This was higher than previously guided as our teams proactively secured more network equipment in the tight supply environment to support our 5G and market expansion plans in 2022. For the full year of 2021, our CapEx was approximately $2.8 billion or 21% higher than 2020, reflecting accelerated investments in our networks and a resumption to a more historical normal annual capital intensity of around 19%.

Cash income taxes were $25 million in Q4 and in line with our previously provided outlook. As previously discussed in Q3, the majority of our cash taxes were paid in the first three quarters of 2021.

Free cash flow was $468 million, down 18% as a result of the higher capital expenditures. As of December 31, we had over $4.2 billion of available liquidity. This includes $0.7 billion in cash and cash equivalents and a combined $3.5 billion available under our bank credit facilities and our receivable securitization program.

During Q4, we executed a highly successful Canadian offering of $2 billion of subordinated notes, due in 2081 and redeemable at par after five years. The net proceeds were $1.98 billion, which were used to fund a portion of the 3,500 megahertz spectrum license auctioned earlier this year.

At the end of the year, leverage was 3.4 times of Adjusted EBITDA, reflecting payments for spectrum licenses. Finally, our weighted average cost of borrowing was 3.95% and our weighted average term to maturity was 11.6 years.

Let me now turn to a few outlook comments. While we have resumed the issuance of full-year guidance, we will provide some transparency on the outlook for Q1.

In wireless, on a year-over-year basis we believe service revenue and Adjusted EBITDA will continue at 6% improvement. Wireless margin should be similar at about 63% as we continue to focus on efficiencies, and blended ARPU growth should be in the low single digits; however, it is important to note that roaming revenue will continue to be influenced by the number of Canadians choosing to travel abroad while COVID cases remain elevated. In cable, we should see year-over-year modest improvements in both revenue and Adjusted EBITDA. Lastly, in our sports and media business, revenue will be stable year-over-year and Adjusted EBITDA is expected to be negative, as traditionally in Q1 the rights fee expenses are higher relative to the broadcast revenue, which normalizes over the year.

Finally, on cash taxes and free cash flow, we expect our cash taxes be approximately $140 million, down from Q1 of 2021. Recall last year, cash taxes were elevated due to timing of tax payments associated with customers moving towards installment plans for their handsets. We anticipate free cash flow in Q1 to be up compared to last year, reflecting higher Adjusted EBITDA and lower taxes, offset somewhat by the higher CapEx spend.

Overall, we're very pleased with our fourth quarter performance, and the first quarter outlook shows we are well positioned to execute towards our full-year guidance. With our elevated commitment to better execution across all parts of the Company, combined with the completion of the Shaw transaction later this year, I'm encouraged with our prospects in 2022.

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

Operator:
Thank you. We will now begin the question-and-answer session. Our first question comes from Drew McReynolds of RBC. Please go ahead.

Drew McReynolds:
Yes, thanks very much. Good morning. Just a couple for me out of the gate here.

Tony, thank you for the just general commentary around the Shaw transaction. Is there any specificity that you can provide in terms of timing of the various regulatory approvals, and then just secondly on the ARPU assumption for 2022, can you drill down a little bit in terms of what's embedded in the outlook with respect to roaming recovery, and with that comment on just underlying growth or decline or trends in ARPU excluding the roaming piece?

Tony Staffieri:
Thank you, Drew, for the question. In terms of the regulatory process, as you would expect, our teams are fully engaged with the various bodies to work through various data requests and discussions of the facts relating to our application. There's not a lot I can disclose or share with you about that; however in terms of timing, we continue to be confident that the closing is going to happen at some point in Q2, as is provided for in our agreement. That's probably all I could say in terms of the process and timing, Drew.

Then on your question relating to roaming, I'll let Paulina walk you through what was included in 2021 and our expectations for 2022 that's in our guidance.

Paulina Molnar:
Thanks, Drew. In terms of the ARPU, we're continuing to assume that there will be some improvement in the roaming. As I said, we exited the year at 78%, so we will see some further improvement into next year, hoping in the 80% range as an average, and hopefully exiting better than that. We're a little bit cautious still about just how COVID will impact, but we're hopeful that that will help.

Then with the rest of the ARPU, as I said, we do see the data tier plans increasing, and so there'll be some improvement there as we continue to add the high-quality phone customers.

Drew McReynolds:
Okay, super, thanks for that, then just one last quick one, just a question I've gotten recently just in terms of the inflationary environment overall out there, just the ability for Rogers to manage through that inflationary environment. Just talk to that, that'd be great. Thank you.

Tony Staffieri:
Thanks, Drew, I can speak to that. Certainly we see that playing through in various costs throughout our business, but in particular with respect to some of the equipment that we look to, but I wouldn't say—and that's captured in our outlook in terms of spend. The bigger issues have clearly been around supply chain on handsets as well as in particular our network equipment, and as Paulina talked about, the team did a really good job of trying to secure that, procure that earlier rather than waiting to help us with our expansion and network investment plans in 2022, so pleased with the way that's playing out.

But I would say on balance, they're reflected in the cost structure outlook that we have, and we intend to deliver net benefits inclusive of what we see now as inflationary pressures.

Drew McReynolds:
Great, thank you very much.

Paul Carpino:
Thanks, Drew. Next question, Ariel.

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

Vince Valentini:
Thanks very much. Two things I was hoping to clarify on the guidance and then maybe one slightly bigger picture question - I'll throw them all at you.

In terms of the CapEx guidance of $2.8 billion to $3 billion, are you assuming any of these rural contract wins with government subsidies? I think there's a bunch of announcements coming. Is that already reflected, or is that expected to be incremental if and when you win any of those projects?

Second one would be just on media. You say you expect positive EBITDA, Tony, but there's obviously been a bit of a rollercoaster ride the past couple of years, from $140 million in 2019 down to negative $127 million last year. I assume you're not expecting it anywhere back close to $140 million, you're expecting some sort of small positive. If you can give any more granular outlook on that, because it's tough for us to predict.

Then the bigger picture question, you mentioned on cable execution and getting some of the scale benefits. I'm wondering if you're thinking through your synergy plans on the deal, if some of those synergies are maybe things of using best practices and things that Shaw was doing on the cable side to make your own operations better and more efficient. Are you getting some learnings there that you may be able to start to implement even before the deal closes? Is that what you're hinting at?

Tony Staffieri:
Yes, Vince, so why don't I start with—we'll work backwards on your question in terms of our cable execution. You can bet that to the extent we're allowed to as a result of the regulatory process engage with Shaw on what we can know from their practices, and as we work through the integration, we're coming up with what I would call the best of both worlds. There's some things Rogers does well and there are many things that Shaw does well in the cable business, and we're looking at everything from sales execution to—everything to collections as you think about the whole chain, and so as we go through those plans, we're thinking about what are best practices and, of course, paying attention to what we see in other benchmarks in our peers, predominantly in the U.S., frankly.

You can be sure that we're looking at that, and as we've talked about $1 billion of synergies and we continue to be very focused on that, and the bigger question for us is one of timing. The sooner, the better as far as we're concerned, and you all obviously, and so that's what we're focused on.

In the media side, to answer your question, absolutely our intent longer term is to not only get to the number circa that you quoted, where we were, but beyond that as we grow that business. Our media assets are centred around sports, and clearly that is and will continue to be a growing business and we'll focus on monetizing that. With the various changes we've been making there, we're fairly confident about the trajectory of that.

The comments relating to this year, 2022, really reflect the continued uncertainty around the pandemic, and as I said in my comments, we're assuming that we're going to have good attendance, be able to have good attendance at the Jays games, and so that's a material revenue amount as you look at the media business, and so that's going to have a bit of an impact in terms of—and maybe a lot of an impact depending on how the pandemic plays out, and so that cautionary language is really around that uncertainty, not so much any uncertainty around the quality of the asset and our ability to execute there.

Then finally on guidance, I'll let Paulina provide some colour around CapEx.

Paulina Molnar:
On the CapEx that we provided, the $2.8 billion to $3 billion, it does include the programs that we've

anticipated that you asked about in terms of the government, and the subsidies that we would get with net against that.

Vince Valentini:
Excellent, thank you.

Paul Carpino:
Thanks, Vince. Next question, Ariel.

Operator:
Our next question comes from David Barden of Bank of America. Please go ahead.

David Barden:
Hey guys, thanks so much for taking the question. First, congrats again, Tony, on the permanent CEO position and to the rest of the team you're bringing in.

Two questions, if I could. The first one is on the philosophy that the new team has on asset monetization. We've been talking about it for a lot of years as we come closer to the Shaw transaction and the leverage that that entails. I'm wondering if you could revisit the way you think about the Jays, Cogeco, the tower portfolio, and what they might represent as ways to accelerate deleveraging.

Then the second one is—it's kind of an esoteric question, but I was intrigued by your example about the Kirkland Lake Gold deal. I wanted to dig into that a little bit. How much capital goes into a build like that? What are the applications that this company needs 5G for as opposed to 5G—sorry, as opposed to 4G, and then how are you actually making money to make a return on that investment? Thanks.

Tony Staffieri:
Hey Dave, thank you for the comment and the questions. A couple things, and just going through each of them. I'll start with—again, at the bottom with respect to 5G, and I'll say that is a classic example of the solutions that 5G is going to enable. I'm going to have Jorge speak to some of the use cases that you asked about, but let me say in terms of the economics, we're not going to disclose the economics of this particular instance, but I can tell you it is accretive to our revenue, accretive to our earnings, and

accretive on a net present value basis, and so it's a really good example of what I would call a joint partnership between us and Kirkland.

That's probably all I can say about the economics, but why don't I let Jorge talk about the use case.

Jorge Fernandes:
Hey Dave, good morning. Great question.

The reason, first of all, for 5G, as I've said a number of times in the past, of course 5G brings a number of new capabilities above and beyond just speed or capacity. We started this agreement with Kirkland as a co-creation project, and the virtual private network is really what I would consider a foundational service where we're building a network that has these new capabilities for the future, so really what we're looking at is starting with the network. It's a private network that provides the level of security and private connectivity that that the mine in this case demands, but this can be equally applied for any other of our B2B customers.

This now sets the scene for leveraging some of the other capabilities around edge compute, around the ability to deploy applications with low latency, really for the mine to build the next generation services of what we'd call smart or digital mining, and here think everything thing about autonomous mining vehicles, maintenance, automation, and anything else really that they think about improving their operations.

This is really a co-creation partnership with the network as a foundational service that then gets used for future developments of 5G, and this is really how we see the development of 5G. We've talked about 5G in the past as a new technology with brand-new features, and so this is a great example of how we would use this foundational work to then build other applications on.

Tony Staffieri:
Thank you, Jorge.

Then your first question, Dave, relating to asset monetization and some of our other assets, let me start. It's a really good question in terms of how we think about asset monetization in each of our businesses, and it may have not been the core of your question but it's worth sharing. As we've looked to reorganize our businesses, each of our businesses - wireless, cable and media - and it's important to note that post-Shaw, as you all know, cable's going to be a significant portion of our total valuation, and so we've gone through a process as you look to the leaders of each of those businesses. Accountability is what I would call full, not only end-to-end P&L in terms of accountability and scope of responsibility, but it also includes everything down to full cash flow and return on invested capital, including working capital in each of those businesses, so our accountability and performance framework is shifting to that full accountability to deliver on those metrics, and so we have a much more comprehensive view of what we want invested—a return on investment to look like, including the capital investments that we talked about.

Kirkland was a good example on 5G, and everything we look at, we're looking for returns in the near term as well as the long term, but in cable as we put more money into expansion, including fixed wireless access, what you should expect to see there is growth in the number of homes passed relative to previous levels and expect us to get a proper share of that growth in homes passed. Cable growth going forward is really going to come from two things, not only ARPU growth from consumers and businesses buying more services from us but additionally from having higher volumes through a higher footprint and, as I said, our fair share in that.

In terms of the other assets we have, I'll go through each of them. In terms of the Jays, we've always talked about the ability to surface value; but to be clear, the right strategy for that for us right now isn't a sale of that asset, and so we don't have an intent to sell that asset currently. In terms of the other assets, Cogeco and real estate would be significant amounts especially as we come together with Shaw. We know we will have excess real estate and so what we're working through is what's the best approach to, A, monetize it in terms of financing but also B, in terms of potential sales, etc., but that's a longer-term type of synergy savings. When I say longer term, it'll probably take a period of a few years, not a few months to monetize real estate.

I hope that helps in terms of how we're thinking about asset monetization.

David Barden:
Thanks so much, Tony. Congrats again.

Tony Staffieri:
Thank you.

Paul Carpino:
Thanks, Dave. Next question, Ariel.

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

Jeff Fan:
Thanks, good morning, everyone. Just on the Shaw transaction, Drew brought up inflation, and one of the things about what's going on in the market today is rising rates. Wondering if you can just give us a bit of an update on the financing plans related to Shaw, maybe related to the timing and nature to the extent that you can share, and then a follow up-on on the results. It's great to see the phone disclosure again this quarter and what you guys are saying about future disclosure. Wondering if you can share phone churn rates as opposed to just the postpaid, and then if there's any directional looking back at Q4 compared to prior periods. If you can share that, that would be great. Thanks.

Paulina Molnar:
Okay, Jeff, I'll take a stab at those. With regards to the phones, maybe I'll answer that one first.

We're not prepared to disclose churn today, so we will be restating all our numbers and—so look forward to that for next quarter. We'll get everything in line there so we can talk some more about that.

In terms of just the Shaw deal, we have sufficient committed financing in place to close our acquisition of Shaw, between the $6 billion of committed bank term facilities that we have and also the $13 billion committed bank credit facility that we have entered into. We anticipate that we may issue some senior and/or subordinated notes. You saw that in the quarter, we already did some subordinated notes to fund our spectrum, so we might do some more in 2022 and that will replace some or all of the committed bank credit facilities prior to the bank--prior to the Shaw closing.

We're going to be very opportunistic and just monitor the market in the short term with regards to the interest rates. We have entered into $7 billion of interest rate swaps to hedge some portion of the interest rate risk that we do have, so more to come on that. We're looking to have varied durations of bank debt too and look at some shorter term, longer term, five to 30 years, so we'll have a varied portfolio.

We've got a plan. We can't really talk to you too much about the plans right now, given that we're still in discussions with the regulators.

Jeff Fan:
Great. On the interest rate swap, when was that entered? Was that in Q1 or was that before that?

Paulina Molnar:
We entered into them late last year.

Jeff Fan:
Okay. Great, thank you.

Paul Carpino:
Thanks, Jeff. Next question, Ariel.

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

Aravinda Galappatthige:
Good morning. Thanks for taking my questions. Two from me.

Firstly, on the wireless front, even through some of the service revenue headwinds, I know that EBITDA had performed well, and you see that in the full year results from '21. Can you talk to how you see upside to service revenues, perhaps in the latter part of the year as roaming recovers even further or maybe you get some tailwinds on the device subsidy front? I know that there is a little bit of a movement towards BYOD. I don't know how long that lasts, but perhaps there is some relief on the cost front as well. That's question number one.

Then secondly, more broadly, perhaps building on your discussion around Kirkland Lake. Tony, can you just talk to your outlook to make progress on the B2B side? I know that's one of the objectives of the Shaw acquisition as well, but what can be achieved within '22, and then what are your plans more broadly? Thank you.

Tony Staffieri:
Thanks, Aravinda, for the question. Again, I'll start with the second part of the question.

In terms of B2B generally with Shaw, we see this, as we've spoken about before, as a huge opportunity for us. Being able to have a national offering on both the wireless and now the wireline side is going to be important in terms of a number of factors that we can provide, not only pricing-wise but in terms of SLAs, etc., which are important to national customers, and so we're very much looking forward to participating in that space, but not only in terms of national customers but it relates a little bit to the question that was raised earlier. As we look to relative performance between us and Shaw in the business space in what we would call the mid to smaller—small businesses, we see some best practices that are really going to be synergistic for us in terms of revenues, and so we're quite excited about that opportunity. When we speak of the billion dollars of synergies, those are largely on the cost side and do not include anything for revenue, just to be clear.

As we come together, I think it's fair to say--and we want to be a bit cautionary on this and not over-commit, but those revenue synergies on the enterprise side, expect to see them come in predominantly in 2023 and then beyond that, just to be realistic. As I said, I don't want to overset expectations on that, but clearly a material growth engine for us post-close.

The other question more generally on wireless as we think about the back half of the year, certainly service revenue will grow as a result of a few things, and so I wouldn't underestimate the impact of what we see as a very healthy market backdrop. We'll see once everyone reports what our industry growth rates were in 2021, but it's clear we're headed for somewhere between, we think, 3% to 5% in terms of industry growth, which we think is very healthy. As we look to 2022, we continue to see a pretty healthy growth in volumes on the industry and so as we participate with what we describe as our fair share of that, we expect to see that as a good driver of service revenue growth.

Roaming revenue is going to help, as Paulina said. We're on a good trajectory on that and it'll come in and out, depending on the pandemic and travel restrictions, but as things ease up, we think we have a good trajectory on that. For the full year, as Paulina said, we're looking at almost 80% recovery from where we used to be in roaming revenues for 2022, and so there is potential for more upside, although there is some downside risk but, frankly, we see it as more upside on balance. The comparative numbers for 2021 were 50%, so we think we've been fairly prudent in terms of estimating that.

Then the more important piece, and that's what we're really driving at, are monetizing the increases in use cases in wireless and, in particular, data usage. It's interesting. As soon as we've—coming in and out of pandemic, and we've spoken about this before, you see really good growth in usage, and today we'd sit in the 30% to 40% year-on-year growth rates in usage on a per-user basis. Clearly those customers that sit in our unlimited buckets are even higher than that, and so we're seeing good data growth and the use case for moving to higher tiered plans, and in particular our unlimited plans, will be more compelling as consumers and businesses resume travel and activities outside of the home and in-home WiFi.

Those are the big buckets in terms of that, and then on the cost, I would say we certainly see cost efficiencies in our business. We think about handsets, though, as a good investment quite frankly in terms of the customer experience and customer churn. As we moved as an industry to financing devices as opposed to the subsidy program we used to have, when we moved to that two and a half years ago, what we saw is a good movement in the industry to substantially reduce the amount of subsidy cost that we had as an industry. When you look at Q4, there was a net cost to us on the handset subsidies, somewhere in the range of about $26 million, but that's really the timing of pricing on handsets as well as incentives that we get from the OEMs, and so I think expect that to go up and down, but we don't see what I would describe as the net equipment cost to us as being a significant drag on our ability to grow EBITDA in 2022.

Hope that helps, Aravinda.

Aravinda Galappatthige:
Absolutely, thank you so much.

Paul Carpino:
Thanks, Aravinda. 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.

Tony, I wanted to go back to some of your opening comments about your priorities. You talked about the accountability. A couple of areas that you really flagged were the go-to-market and the customer experience, the customer service. Could you get a little bit more into that, and you've made some senior leadership changes, just how is that organization—is that complete now until we've finished the Shaw integration? What should we see that there is going to drive those changes in those areas? Thanks.

Tony Staffieri:
Okay, thanks, Simon, for the question. In terms of priorities around customer experience and go-to-market, look, as we think about this business, we want to make sure we get two things going well, and one of them is continued investment in our networks. Long term, if we don't have leading networks, then we're slowly out of business, quite frankly, and so to state the obvious, we want to make sure we continue to lead in both wireless and cable, and we think we've got the CapEx roadmap and growth plans to ensure that.

The second part, and the way we think about accountability in each of our cable and wireless businesses, is how do we monetize that investment, and so what we do want to see is more participation in the growth in our home cable business, quite frankly. As we look to Q4 results, as I said, and I'm being transparent and blunt, we're really not happy with the performance of subscriber additions in the fourth quarter and we think we can do better, given our product superiority in terms of internet speeds across our entire footprint. As we've said before, we can offer one gigabit of speeds across the entire footprint, which our competitor can't in the footprint we have today, and additionally as we have installed fixed wireless access across our entire wireless footprint, the opportunity there is significant as well.

We see those coming on in Q1, as early as Q1. You'll start to see the execution around our sales program delivering tangible results in our share of net adds in that space, predominantly in internet but certainly from a whole home perspective, and as we expand our disclosure in Q1 around that in terms of the products around the cable business, then you'll start to see that come through.

In terms of customer experience, clearly the overall metric we look at are churn rates in each of wireless, but by product in our cable business as well, and so we're focused on putting the money that is going to improve experiences for customers and materially reduce the reason for leaving Rogers if they so choose, that it's not a customer experience issue. That's the focus and that's how we think about accountability, and in our capital priority program, we're really focused on is this going to make a material difference for the customer, and if so, then let's invest in that and get to it very quickly.

That's how we think about priorities and the allocation of capital to those priorities.

Simon Flannery:
Then on the brand, given the merger, how are you thinking about the broader brand?

Tony Staffieri:
Absolutely. I would say the brand is something we think about as an outcome of the fundamentals and customer experience in both consumer and businesses that we execute, and so you can expect to see the evolution of the Rogers brand in the marketplace over a period of time. As we integrate with Shaw, we want to be very clear with consumers not only about the brand and we're thinking about it across the nation, but very clearly articulate what the value proposition is for each of our brands, whether it be Rogers, Shaw, Fido, etc., so expect simplicity and expect the timing to be at the appropriate time. It may not be on what we call close or day one. Day one in terms of the brand will be an evolution as opposed to one day, and you'll see that play out.

In terms of management changes, I'm thrilled with the progress we've made in a short period of time in new leadership in each of our--what we call home and business now, our wireless and our media. I think what you're really getting at is should you have any concerns about our ability to execute as we continue to make progressive changes leading up to Shaw and, frankly, post-Shaw, and the answer to that is I'm very confident that we have the talent and depth of talent across our business to execute as we make progressive changes. I think you can expect that in any organization, but certainly as we look to improve our performance and execution in the near term and longer term, we'll continue to do what's right, but clearly, we're confident we have what we need to ensure that that continues.

Simon Flannery:
Okay, thanks a lot.

Tony Staffieri:
Thank you, Simon.

Paulina Molnar:
Thanks, Simon. Next question, Ariel.

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

Tim Casey:
Thanks, good morning. Two for me. Tony, can you talk a little bit more about the fixed wireless initiative? Just as a point of clarification, where will you report those metrics? Will those in wireless or cable, and I guess more broadly, how will you define success? Are you able to share any targets with us, or what is the ultimate scope of that initiative?

My second question is a more strategic one. I'm wondering if you can comment on how your conversations are evolving with the hyper scalers. AWS has made some interesting announcements of what they want to do in wireless, and certainly these super capitalized companies and cloud players are obviously going to be a major factor in the 5G ecosystem. I'm just wondering how those relationships are developing. Thanks.

Tony Staffieri:
Okay, thanks for the question, Tim. In order then, we'll start—I'll have Paulina start with the fixed wireless disclosure.

Paulina Molnar:
Within our retail broadband internet numbers, so for this quarter the 21,000 that we have, within there we will have our fixed wireless additions. Last quarter, you'll recall that we talked about a 1,000 number. This quarter, about one-third of those additions would be our fixed wireless, so you can see a really good ramp-up there and we'll continue with that.

Tony Staffieri:
Tim, in terms of how we think about the market for fixed wireless access, as I said, we've enabled our entire national wireless network to enable that type of service for consumers and businesses. Today we're focused within what we would call the fringes or rural areas of our cable network in where we operate today, so largely Ontario and the east. As we come together with Shaw, we'll look to expanding that surrounding their area. It is largely a rural play for us in how we think about it. Clearly, our first go-to-market is if we have fibre or coax going to the area. That is clearly first prize in terms of serving that customer or business, and so we think about fixed wireless access as an immediate opportunity to be able to provide that service, largely in places where they have no service or they have service that are much lower speeds, and fixed wireless access generally will provide up to 50 megabits of download speed, so it's quite a robust service that we'll be offering, and can and will include video offerings in that as well.

Then the last part of your question relates to hyper scalers, and I'll ask Jorge to provide a few comments on that.

Jorge Fernandes:
Good morning, Tim. First thing is we maintain, and we have always maintained a multi-cloud strategy which allows us to have a very good relationship with all the hyper scalers, the three main ones out there in particular in terms of understanding the strategy and staying very close to the services that we are working with, whether it's 5G or just the cloud or the extension of edge compute.

Obviously, we've been following very closely the work that they're doing in terms of looking at providing a core, a network of mobile core as a service. We see this as an opportunity for partnership, to be honest. Obviously, there are aspects that we are good at, that this is our core business in terms of spectrum, owning the spectrum, but then also very importantly building and maintaining the physical infrastructure required to keep these networks running. The Kirkland Lake Mine is such an example.

Also, we have seen a history of where some of the hyper scalers have attempted to build physical infrastructure, where frankly they've realized the difficulties and the requirements, the ongoing requirements to keep up this infrastructure, which is essentially again our core business, so we see this as an opportunity for partnership. We're working very closely with them in terms of future opportunities, and as and when it makes sense to build a product together, we will do so.

Tim Casey:
Thank you.

Paul Carpino:
Thanks,Tim. Ariel, we have time for two more questions.

Operator:
Certainly. Our next question comes from David McFadgen of Cormark Securities. Please go ahead.

David McFadgen:
Thank you. Yes, a couple of questions. First of all, congratulations, Tony, on being appointed as President and CEO.

Just on the CapEx, I was wondering, when I look at your CapEx for 2021, cable was down 3%. I was wondering if you could give us an idea on the outlook for CapEx for 2022 based on the various segments, and when we look at Bell's growth in the internet sense, it was pretty strong last quarter and I was just wondering, do you see that you should really step up and run more fibre to the curb, just to respond to that, just to protect your business growth?

Then secondly, I don't know if you can comment on this, but I was wondering if you could give us an idea on the quality of Shaw's wire line network versus yours. Thanks.

Tony Staffieri:
Thanks, David, for the comment and the questions. Paulina will walk you through a bit of the relative CapEx on cable or amongst the business units, cable and wireless 2021 versus 2022, but let me speak to some of the other questions you asked.

Let me be clear - as we look to our internet sales, it's important that when you speak of our competitor's numbers, included in there is fixed wireless access, and so as I mentioned, as we launched that capability in fourth quarter, you can expect to see us ramp up with that as well, so that is certainly going to be what we think is a material part of our growth plans on the sales side.

When it comes to where we have our cable footprint and our combination of pure fibre as well as coax network, we have a superior product and we're very confident in that value proposition for consumers. As we go head-to-head with our competitors across our entire footprint, we're confident about our ability to get to not only our fair share but, frankly, more than our fair share on that side of it. I think there's work to do in terms of, as I said, sales execution, and we will do better in that, but it's important that you think about the fundamentals that way.

Then on the last part of it in terms of the Shaw network, again I'll have Jorge provide some depth of colour on that.

Jorge Fernandes:
Thanks for that question, David, good morning. Obviously, I don't want to talk too much about the work that we've been doing. Naturally there is a—and there was in fact already a strong cooperation amongst the cable operators through the work we do at CableLabs. The Shaw organization has a very talented team in this space and as a result, that talented team has built and maintained a very good quality network, and so we are working very closely together with our teams. We're talking about the possibilities of the future, again in line with what we are allowed to discuss from obviously the legal standpoint, but we're very confident that we have a very aligned strategy going forward on how our networks will develop and grow going forward.

David McFadgen:
Okay, thank you.

Paulina Molnar:
Dave, just to address the capital question, you see that our CI ratio overall is going up from 19% to 20% overall, and the cable CI we expect will also increase. We have increases both in wireless and cable, given what Tony said in terms of just spending more of the envelope on networks, so you'll see more spending on networks, but specifically with the uplifts we're doing in cable and the service expansion, you'll see the CI ratio increasing. We're thinking that the range could be in the 20, 24, 26 range and we'll monitor that as we go here, but we do expect that it will be increasing.

David McFadgen:
Okay, so increasing in both cable and wireless? I'm just wondering how much it would increase in cable on a percentage basis. I don't know if you can give us that detail, but it'd be interesting to know.

Paulina Molnar:
Yes, just remember that, once we do come together with Shaw, that we will be updating, so the number will be only relevant for the first part of the year. We'll be updating the guidance and the capital spend once we do come together with Shaw.

David McFadgen:
Okay, thanks so much.

Paul Carpino:
Great, thanks, Dave. Last question, Ariel.

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

Jerome Dubreuil:
Hi, good morning. Thanks for squeezing me in.

First on DOCSIS 4.0, it's one of the first times I hear you talk about this publicly, and I'm wondering what's the marginal intensity of the investment that's required to meet the standard, and maybe also over how many years, and then what would be the benefits you would expect from the standard, probably in terms of OpEx?

Then following, the next one is on the Blue Jays. You all already commented on that, that you are expecting good attendance that's baked in, in your guidance, but I'm wondering if this assumes that you're allowed to have a full capacity from the government and that the only unknown variable will be how fans show up this season. Thank you.

Tony Staffieri:
Thank you, Jerome. Good questions. I'll ask Jorge to talk about the DOCSIS 4.0 road map, to address that, and then Paulina will talk about the assumptions we've made with respect to the Jays this year.

Jorge Fernandes:
Good morning, Jerome. DOCSIS 4.0, we really see it as an evolution and a continuation of the work that we have been doing, so when we talk about the intensity on CapEx, don't forget that we started out network, our HFC modernization three years ago, and so the work that we've been doing in terms of taking fibre deeper in the plant and replacing some of the active equipment is already in preparation for DOCSIS 4.0. That activity and that work has helped not only significantly improve the customer quality and experience but also setting up our network for DOCSIS 4.0 when it's ready.

Again, we're working as an industry. You would have seen some announcements from Comcast and Chart in terms of the speeds that DOCSIS 4.0 will provide, and so we're working with our equipment vendors and the chipset manufacturers to develop the technology and expect within the next 12 months to have certainly the first equipment available for testing and certifying on our network, and then from there on the usual roadmap of equipment availability and rollout.

The benefits are obvious. As we modernize the network, as we take fibre deeper, as we modernize some of the active equipment, amplifiers and so on, obviously this reduces the number of truck rolls required, this reduces the number of incidents, and as a result a significant benefit on OpEx. Of course, with the increased fibre deployment and getting the fibre closer to the customer, it means also less of an active plant and more passive, and again, that reduces the OpEx quite significantly.

Tony Staffieri:
Jerome, to answer your question in terms of what are the OpEx savings, I think as Jorge said, think about this in terms of expanding and extending the robustness of a coax fibre network that is much more efficient that having to put fibre all the way to the premise in every instance. It allows us to be, at a minimum, competitive if not leading in terms of internet speeds and reliability at a fraction of the cost of having to dig up, etc. I think that's where you really see the economics of the evolution of DOCSIS playing out.

On an OpEx basis, sure; on a per-megabit unit cost, it will continue to come down, but as demand in the marketplace goes up, the real value proposition is offering more speeds download and upload, frankly, at moderately increasing prices, if that. That's the way we think about the economics.

Paulina Molnar:
Jerome, in terms of the Blue Jays and the attendance, we assumed that there would be return of in-person attendance at the Rogers Centre and that by spring, that the impacts that we're seeing with COVID would be relieved a bit and that full capacity would be allowed.

Jerome Dubreuil:
Okay, great. Thank you.

Tony Staffieri:
Thanks for the questions.

Paul Carpino:
Thanks, Jerome. Thanks everyone for attending, and if you have any questions, please feel free to follow up as well. Thank you.

Operator
This concludes today's conference call. Thank you for participating and have a pleasant day.