Corrected Transcript

21-Mar-2018

Rogers Communications, Inc. (RCI)

Desjardins Industrials Telecom Tech & Consumer Conference

CORPORATE PARTICIPANTS

Maher Yaghi
Analyst, Desjardins Securities, Inc.

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

MANAGEMENT DISCUSSION SECTION

Maher Yaghi
Analyst, Desjardins Securities, Inc.

Okay. So our last presentation of the day, but not the least, is with Rogers. With us today, we have Tony Staffieri, Chief Financial Officer. And in fact, maybe you guys have not met Glenn.

[Technical Difficulty] (00:00:18)

Good afternoon Glenn. Okay. Well, Glenn will be back. He has taken over the Investor Relations Department at Rogers. So if you want at the end, maybe you can meet him in case you have any additional questions after the meeting.

Thank you Tony for coming to our conference. This is our second annual conference with the telecom companies at Desjardins and we always count on your participation. Thank you for coming.

Maybe I'll start with the – you guys did you have anything you wanted to start with or we can just start with the Q&A?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

Well, we can go to Q&A. I mean, other than, Maher, thank you for hosting us and good afternoon, everyone, it might be more effective if we could just get into the questions you have.

QUESTION AND ANSWER SECTION

Maher Yaghi
Analyst, Desjardins Securities, Inc.

Q

Sure. So maybe I can start with just the general environment on the wireless and wireline. When you look at 2018 and you compare it to 2017, what are the drivers that you see that are changing or what is being staying constant? And when you look at the margin profile of the company, how did you prepare for 2017, because in 2017 you had very strong performance financially. Maybe you can talk about 2018.

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Okay. That's a great leading question. Thank you. I'll start with the last part and then work my way to wireless more specifically. But on the margin side for the company overall, what we said was, I know it was over a year ago, we said we were going to – one of the focus was to expand margins, EBITDA margins in our Cable and Wireless business.

And we said then that we were going to expand margins over a two-year period in the 100 to 200 basis point range for each of those businesses. And so, when you look at, as you refer to, our 2017 results, we increased margins by a full percentage point in each of Wireless and Cable.

And as you look to the guidance we provided in 2018, it's predicated on continued margin expansion in each of those and so that continues to work well for us in delivering on that. So what you'll see by the end of this year, our expectation is you should continue to see improved margin expansion in each of Cable and Wireless, and be close to the top end of that range that we provided over a year ago.

Number of factors that have been contributing to that, certainly continued revenue growth on the top line continues to help, but at the same time we're doing quite a bit of work on costs and then with our cost playbook has continued to mature, and evolve in its sophistication over time, started with some of the low-hanging fruit and cost we took out, we've simplified our management organizational structure, and it continue to move on to third-party spend. And we're now at a stage where we move onto what I would describe as more sophisticated in, the capitalization of AI and robotics and some of our core processes. I would say that that whole sector has moved to a stage where it's much easier to integrate some of those opportunities.

And so there's a whole host of things that continue to be an opportunity for us on the cost side and that's playing out well. And that's contributed to and will contribute to the margin expansion in Cable and Wireless. When you put that up against the capital intensity for those businesses we said in Wireless. Our capital intensity would be in the 12% to 14% range this year, which is in line with where the industry was at. We traditionally, for the last little while, we had been in the 8% to 9% range and we said we were holding off on some 4.5G investments we wanted to make for the right time. That was the right time in the back half of last year and that started coming in. And with that capital intensity, you will see our ROI for Wireless to continue to slightly improve.

And then on the Cable side as well, with expanding [audio gap] (00:04:35) to come down from where it is today. Nonetheless, it sets us up well for improvements and return on capital for the Cable business, but that will take a few years to get to where we want it to be on that front.

Specifically on Wireless, you talked about the factors that are driving growth. What we have been seeing on the Wireless side is, in Canada the size of the market continues to grow at a pretty healthy cliff. In the fourth quarter, the market grew on a subscriber basis by over 5% and that continues a trend that we stopped throughout 2017 where the market grew at a healthy 4% to 5%. We sort of dissected backwards in terms of the factors that are contributing to it.

There's a few things there. In terms of subscribers, what we're seeing – we have a healthy economic backdrop. GDP continues to do well, over 3% last year, forecasted over 2% this year. Unemployment rates across the country at 40 year lows. When you look at migration – and that's important as well, and so continue to have healthy migration which continues to help the expanding market for our Cable business as well.

And so you look at all those factors and that's been helpful. The other is penetration rates in Canada. We [indiscernible] (00:06:08) about 87% today, the U.S. at about 120%. There's no structural reason why we shouldn't see Canadian penetration rates approaching U.S. level. And so that will be an important factor as well. So that's on the subscriber side.

The last piece, I probably mentioned is, the constructs have been easier for consumers to add a line. The Share Everything construct is now well into its third year in the Canadian industry, and I think that's made it a lot easier for those penetration rates to go up.

And then finally, that's the subscriber side. And then you look at the other piece of wireless growth on revenue and that's on the ARPU side. And so what we continue to see is very healthy data usage growth in Canada, it has been continues to be generally in the 40% to 50% range year-on-year per user. And if you were to look at an LTE user, in terms of data usage, that growth is above 50%. And so what we have seen is consumers consistently wanting to move to higher data buckets and that's what helped the ARPU growth for us.

In the fourth quarter, we had blended ARPU growth of 5%. For this year, the guidance we put out there was predicated on continuing to deliver 3% to 5% ARPU growth this year. And it's still early in the year, but on track for that. And it's really the data usage being one of the big drivers of that. So, all those pieces are sort of coming together. So, all the things that contributed to the growth for the last little while in Wireless continue to be there and it's captured within the guidance that we put out there.

Maher Yaghi
Analyst, Desjardins Securities, Inc.
Q

Great. On the ARPU growth, you mentioned that the healthy growth that you're seeing, and what I did notice as well is that, a lot of that growth is coming from really postpaid ARPU growth. You stopped providing us that number, but by my backward calculation, unlike other two incumbents where they're benefiting from mixed shifts from prepaid to postpaid, a lot of the growth that you're seeing in ARPU is really coming from real growth in postpaid ARPU.

Is that what you're counting on to continue? Because you seem to indicate you're still seeing healthy growth in ARPU for the rest of 2018. [indiscernible] (00:08:42) do we have for this to continue before we hit some kind of a [indiscernible] (00:08:48) should we not count on seeing [indiscernible] (00:08:50)?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.
A

Yeah. In terms of seeing, [indiscernible] (00:08:55) in terms of the data usage, it's tough to predict. I think the used cases keeps evolving. And as we move to 5G, not to overplay the IoT term, I think it opens up a whole new set of used cases, and so data usage will continue to grow as the used cases grow. So, we don't see that necessarily slowing down.

Even on a per user basis, if you think about it on the consumer side, still a lot of applications [indiscernible] (00:09:26) that's a big data driver as the quality of video, that you want on any screen continues to move that, is going to be a part of it as well.

Just coming back – so in terms of the longevity of it, we see a long horizon on continued data consumption growth, but the other side of your question was, the blended ARPU growth and where it's coming from? And absolutely it's coming from both, post-paid and pre-paid. And so the growth that you see on unblended is commensurate with what we're seeing on postpaid.

And as I said, it really is reflective of the consumers wanting to get more and more higher data buckets. And the easier that we make it for them to know how much they're using and make the right choices into the higher data buckets, then that continues to move well for ARPU.

Maher Yaghi
Analyst, Desjardins Securities, Inc.
Q

Okay.

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.
A

Yeah.

Maher Yaghi
Analyst, Desjardins Securities, Inc.
Q

Maybe we can stop a second and talk about some of the technical issues you had in Q4 that unfortunately made a strong quarter for you, look like a weak one when you look – when everybody – when we compare the postpaid net adds versus with the other two companies in the sector. What have you done to fix those technical issues? And how confident are you that they're fixed?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.
A

Yeah. As we said, the subscriber performance in the fourth quarter was disappointing and that it related to a specific IT technical issue. I think it's important to put it in the context of as you said, it was otherwise a strong financial quarter for Rogers on the Wireless side and overall. And it follows a continuing trend that you've been seeing from Rogers over the last many quarters.

On the subscriber side specifically, again to put it in context, if you were to look at our subscriber performance overall, we had over 350,000 net subscriber additions in 2017, notwithstanding the Q4 item. And if you were to look at year-on-year, that's an increase of 24% in net adds for the year. When you look at Q4, again coming into it, I think it's helpful to know that we had led and continue to lead in gross add performance. So, that hasn't been an issue for us and our execution has gotten better and better on that in delivering leading gross add performance on a subscriber front.

And on churn, you've seen many quarters of consistent churn improvements on a year-on-year basis. And if you were to look at the first three quarters of 2017, you saw a consistent improvement averaging 8% to 9% for the first three quarters of the year. We had during a very important promotional time in the fourth quarter, we had a specific software glitch that prevented us from executing on the volume of price plan changes that we encountered. It was unfortunate. It lasted for a very short period of time. But it was an important period of the time. It's fixed. It's behind us.

The guidance numbers we put out there for 2018 are predicated on strong performance in subscribers as well as ARPU. And what you'll see as we report results throughout the year is a continuation of the performance you saw pre that glitch and confirmation that it was a onetime item and behind us.

Maher Yaghi Q
Analyst, Desjardins Securities, Inc.

Okay. Great. Are there any questions on Wireless? I have a few more to go with. But on the spectrum position and – what's your view in terms of – as we head into 5G, there are certain companies that say having a fiber deployment or a fiber-to-the-home or fiber-to-the-premise is going to position them to be in a leading position to roll out 5G [audio gap] (00:13:49). On the other hand, you've kept the same view that you don't need to have fiber-to-the-home or fiber-to-the-premise to rule out 5G. You need a strong cable network. Can you maybe update us on that?

Anthony Staffieri A
Chief Financial Officer, Rogers Communications, Inc.

Yeah. There's a couple of things you talked about. One is, if I could just clarify, in terms of needing to have fiber-to-the-home for the Cable side of the business, we have a fiber coax network today. And today it's a competitive advantage for us on the Cable side and we offer 1 gig of speed across our entire 4.2 million homes that we pass. And so, that's a network that's enabled today.

In about 18 months, as we move to passive optical, and so that means fiber with coax, we move to a world of 10 gigs up, 10 gigs down. And so we don't see us needing to go direct fiber-to-the-home for a very, very long time if ever. And so the efficiency of the cable network, the competitive advantage is there and it's going to give us tremendous cost advantage as well.

But as you move to 5G, I think there's a couple of important things on 5G. One is, it's probably fair to say the technology roadmap for 5G has been pulled ahead faster than maybe many would have thought a year ago or 18 months ago. Everyone is out there doing trials for us. We are trialing it at the Rogers Centre. So we can have a real user experience on 5G. There's a number of things going out there from a technology standpoint. The use case and the business revenue that goes with it we think it's going to take some time. And so to make 5G real and practical, I think there's a revenue model that still needs to play out.

It's probably fair to say that that's going to play out more so in the enterprise space rather than the consumer space, which lends itself to an opportunity for us. The only thing I'd say is, 5G is evolutionary. So it isn't a completely new network much like each of the generations built on the last one. It's an evolution from 4G and in particular 4.5G.

At Rogers, we had paused on moving to 4.5G until we had better clarity on 5G. And you may recall for the last little while before the back half of last year, our capital intensity was 89% and it started to pick up. We've gotten to a place where [indiscernible] (00:16:32) allowed us to get 4.5G leading technology at a great price that is going to lend itself to 5G upgrade via software rather than hardware. So, we're glad we're sitting from a hardware perspective. We're launching that across the country. And that's embedded in the capital intensity ratios that I've shared with you.

It's the nature of 5G, it will continue to build on the macro sites that we have, but it's going to be augmented by a number of small cells and a couple of things you may not know our sites and in particular urban sites today are fed by fiber. Microwave continues to be very useful cost effective in certain circumstances. And as microwave technology evolves, it will continue to have a role perhaps predominantly in rural, but it will have a role. Clearly, as you said, fiber is going to be important, and we have that today.

As part of 5G, there's two things that are important to note as you think about small cells. And for those who are not familiar, it's not much bigger than this notebook in terms of size. That will be throughout urban areas on sides of buildings and anywhere else where you can put them. And so what's important is securing the real estate. And a lot of the real estate is going to be on the sides of buildings and things like that. And the second piece of it is making sure that you have fiber to it.

So where we don't have fiber, we'll continue to do – we have today is to either buy or rent, if we don't have [indiscernible] (00:18:14) we're talking about a lot of times has fiber in it already whether it's for commercial or consumer buildings – consumer use that we're talking about. And where buying or renting isn't economical then we'll just build. And that's just part of what everyone needs to do as part of 5G given the sheer number of small cells that will eventually be out there. But again, think about that small cell deployment as complementing and augmenting a lot of the macro investment that's going to happen.

Long-term, we sort of see it within the capital intensity numbers that we talked about. And so while it's gotten a lot of attention, we kind of see it as it's something we do today. It's business as usual. And the volume will go up, but it will be part of business as usual for us going forward also.

Maher Yaghi — Q
Analyst, Desjardins Securities, Inc.

So within the 12% to 14% capital intensity that we should not expect capital intensity to shoot up higher than that as you roll out 5G, it would be within that kind of range?

Anthony Staffieri — A
Chief Financial Officer, Rogers Communications, Inc.

That's the way we see it today.

Maher Yaghi — Q
Analyst, Desjardins Securities, Inc.

Okay.

Anthony Staffieri — A
Chief Financial Officer, Rogers Communications, Inc.

Again, the technology will closely follow...

Maher Yaghi — Q
Analyst, Desjardins Securities, Inc.

Yeah. But still...

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

...the revenue cases that comes in. Don't expect it to be – build it and they will come, kind of approach. I think it will be much more iterative in building and revenue cases coming in.

Maher Yaghi
Analyst, Desjardins Securities, Inc.

Q

Okay. Great. And when it comes to your Cable business, when you look at the Cable products that you sell, the three services, when you look at them longer term, how do you expect their price to behave? And in terms of profitability for the Cable business, how do you forecast that to be? We heard from Quebecor this morning, they were talking – Jean-François was saying that overall, he expects for Quebecor their Cable business to be flat to up slightly in terms of revenue, but margins to slightly improve as you get more mix shift improvements and cost out of the system. How would that look like for Rogers over the medium to long term?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

On the Cable side, we've done a few things. And we're looking for Cable as a business for us that will grow. We've seen for the last several quarters, positive revenue growth in Cable and that comes on the back of what I would describe as refocus on is household penetration. So the 4.2 million homes we passed, what's our penetration rate, and that's been a good turnaround story for us. And it's been steady and consistent in terms of penetration rates.

The second thing we look at is ARPU per home. And so while much of the disclosure today is focused on a product basis, we look at average revenue per home and make sure that that's trending properly, and that's what's contributing to the revenue growth. I've talked about the cost items and the mix shift is another one that you refer to that's going to help with margin expansion. So, we're confident and enthusiastic about the prospects for Cable.

If we're to look at the individual products that are driving it today, our competitive advantage has been and is Cable – sorry, is Internet. If we have a competitive speed advantage relative to our telco competitor across our entire footprint, and that's what we've been executing on. If you look at our customers today, 54% are on speeds of over 100-megabits per second. And those are speeds that our competitor can't offer in a majority of the footprint. And so, that's worked well in our household penetration numbers.

But the second piece of it is the video side. We've adopted the X1 platform, something we're going to launch this year and it's the IP version of the X1 platform. So in addition to having the Internet advantage, it's going to give us a video advantage as well.

I think a couple of things I would say on that. By way of background, when we thought about the different alternatives for video, there are a lot of vendors out there that have what I would describe as compelling and interesting user interfaces. But what we really wanted was a roadmap where the vendor was vested and I don't think you'll find a producer of a product like – that's going to be as vested as Comcast is in the longevity and success of the product. It was something that had proven success in the U.S. marketplace, not only by Comcast, but some of the folks that had licensed it to.

And the third piece of it is moving to [ph] IT (00:23:12) which was important for us. So all those factors are what led us to the decision and as we now have a product that is up and running and it's in employee launch today, there are over thousand employees. But the end of this month, we'll probably be at just over 3,000 employees. So the product is working well and we're building what I would describe as a better end-to-end customer experience and taking the opportunity to reinvent the video business for consumers at the same time. So we'll watch that and that will be an advantage and then closely behind that, there'll be the rest of Comcast X product suites, xFi, and X-Home beyond that.

So, we see a world where everything is centered around the Internet. That will be the core and as we layer on these video products, xFi, that's just going to create, in addition to the raw horsepower advantage we have, a much more stickier customer and it'll be tougher for a competitor to unstick that customer down the road with that type of experience. And that sort of brings back to [indiscernible] (00:24:20) Comcast choice with the software capabilities they have and the long-term commitment they have. They'll always be a continual road map and that's going to be beyond the fiber-coax network from a customer experience standpoint.

Maher Yaghi
Analyst, Desjardins Securities, Inc.

Q

Okay. And you talked – you touched on a question I was going to ask about your Internet competitive strength that you have right now. As Dell increases its footprint in your area, are you seeing a different behavior or, let's say, unrational behavior by the competition in order to eventually drive some revenue because at the end of the day, when you're spending $1,200, $1,500 per home, you need to start bringing in revenues. Are you seeing any kind of irrational pricing in some pockets where fiber has been deployed already in Ontario?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

I think it's important that when you look at pricing within Cable and in particular on the Internet, that you separate out what I would describe as everyday pricing in comparison to promotional areas. And so, from the Rogers' perspective, I talked about Internet really being the driver of the model, and it will continue to be the driver of the economic model for Cable.

Long term, video, it will evolve. And one thing we like about X1, it actually integrates a lot of the OTT alternatives that are out there. We know that cord cutting has been at 2% to 3% in the U.S. and about half of that in Canada. But we foresee a world where that could pick up. But if we maintain quality, competitive advantage, and pricing discipline on Internet, we actually see a world where we continue to prove ROIs in our Cable business. It's a 100% margin product. And so it will continue to do well.

And that's what we're focused on when you look at our ARPUs, particularly retail ARPUs. They've been continuing to grow at a healthy clip. Internet revenue has been growing at a healthy clip, and we continue to be very disciplined in turning what is consumer data usage in the 30% to 40% range in the home into a very healthy ARPU growth for Internet.

With that, as our competitor brings a capability in fiber-to-the-home to some of the places that we have, there – we think about the different things they could – the four Ps – the one they have left to go to is price. And so what you see is promotional price. And our thinking on this has evolved given we've now been competing on this for a long while and we've seen consumer behaviors on it. And so it's not uncommon to see for a specific building, our competitor offering high speed internet at very low monthly rates.

In the past, we would have matched right away. But what we're finding is customers and consumers that are looking for the best price point are probably always looking for the best price point. They're very highly likely to churn at the end of a promotional period. And what we see often is win-backs at the end of that promotional period. So, we're being much more patient about the long game. We're trying to balance the subscriber metrics with a business that has top line growth and importantly, EBITDA growth in the near and long-term.

And so, as we look to balancing subscribers and financials, that's the type of behavior you'll see. Again, something that's much more focused on the long term, still deliver respectable subscriber rates that continue to improve our penetration rates but doing it profitably at the same time.

Maher Yaghi
Analyst, Desjardins Securities, Inc.
Q

It's refreshing to hear you say that. Did you see a difference between how Joe approached the business now versus how Rogers approached the business two years ago?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.
A

Well, I think it's on a broader scale with Joe coming in. And I know many of you are familiar with his background. Joe was an operator, and from the get-go, Joe is very focused on Wireless and Cable and on the – what we would describe as the niche Media assets that we have. But clearly, the big value drivers are going to be centered around Wireless and Cable. And right out of the gate, that's been Joe's focus.

And so, we've got into an operational cadence within the company that is very much on the basics and very much focused on customer experience. It's now becoming more and more part of our views, our everyday language. The things that we measure are very much specific to customer experience. And what we're seeing is as you would expect that those customer experience positive outcomes are leading to the positive KPIs and financial outcomes in terms of churn but also in terms of cost.

You know, Joe has always talked about customer experience and cost improvements go hand-in-hand. We handle 47 million calls in our call center today, and each one of those costs about $10. So you can just think about it as CAD 0.5 billion cost opportunity in which we improve customer experience, not only in the reliability of our services and products, but being able to transact digitally. That's a huge opportunity for us. And so very much so a change in focus and operating style within the company that's showing itself in the results each quarter.

Maher Yaghi
Analyst, Desjardins Securities, Inc.
Q

Great. Maybe we can touch a little bit on, as we still have 10 minutes to go, on the capital allocation. You certainly have given the capital markets up and down in terms of expectation and when the dividend is going to grow again, as expectations increase, the stocks increases. I mean, we've seen the ups and downs. Can you talk a little bit more specifically as what you really would like to see in terms of operational growth and EBITDA leverage before you can come back to a dividend growth model that Rogers has accustomed the market to see in the past?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.
A

Okay. On the capital allocation side, this will be the boring answer, but not a lot has changed. Philosophically, Rogers is committed to a cash return model to shareholders whether it's dividend increases, share buybacks and both. In the near term, we would index probably towards dividend increases rather than share buybacks.

And what we look to for dividend increase as a management team before we're prepared to recommend it to the board are the same fundamentals we've always said and it's really about consistency in the fundamentals. And the reason the consistency for a good period of time is important is when we make a decision to increase the dividend, it's the beginning of predictability in dividend increases and it's not going to be a one-off decision.

So we want to be very careful and thoughtful about making a dividend increase. And the fundamentals that we're focused on are the same ones you would expect and that we've talked about is consistent revenue growth that's on fundamentals, and we're seeing that in Wireless and we see that improving in the Cable business, and Media in terms of some of the core assets we want to see continued improvement and margins and margin expansion leading to consistent and healthy cash flow growth. So those are the ones we look to and we'll continue to look to.

If you think about – it's been two years since we increased the dividend and in fairness, Joe is a recent addition as CEO and you know while we've been very good at delivering on the metrics, our CEO needs to be comfortable with the resiliency of the company and our execution capabilities before we make a dividend increase commitment.

Our guidance that we provided for 2018, we think is strong and obviously bold, and speaks to the confidence that we have going forward in the markets we serve, and our ability to execute. But we need to execute. And so as we do that, and confidence grows by the management team in that, then I think you can expect us to look at the dividend increase as a recommendation to the board, but we're not there yet.

Maher Yaghi
Analyst, Desjardins Securities, Inc.

Q

You're definitely one of the few companies in Canada that is showing accelerating growth in EBITDA in 2018 versus 2017 based on the guidance that you've provided in the beginning of the year. So, definitely the wind is helping, I mean, is on their side. Is it multiple years that we need to see this as sustainability or another year would be enough?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

I don't want to be so specific as to put a time line on it. It's [indiscernible] (00:34:36) to just be silent on the point. We're committed to it. Now those are the factors we need to achieve to get there in terms of longevity of EBITDA growth. It's EBITDA on the back of revenue growth, subscriber growth, all those things. And so, it's consistency of those.

We have confidence in the core market we're in. We don't see demand for Wireless as we start up off at the beginning. We don't see demand for Wireless [ph] waning (00:35:05) especially as the use cases increase. We don't see the demand for home Internet declining. So there're markets that we serve that will continue to grow and it's really about the consistency of our execution in those markets that will lead to a dividend growth. It'll be obviously when the right time is. And while it's debatable whether it should happen now, I think give it some time for that consistency to come through.

Maher Yaghi
Analyst, Desjardins Securities, Inc.

Q

Okay. One last question on the assets we did not talk about and maybe touching on some of the capital that is being currently invested in assets that is not contributing directly to EBITDA growth, what's your thinking about these assets? They're hiding some value that Rogers is not publicly getting when you look – I mean, there's value there that can be extrapolated that currently is not seen in the stock price. What's your view on that?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Great question there, and one that I'll be careful to not leave any room for interpretation on. And so, you're right. There are assets that we have, that we don't get full credit for. They're not core, but that doesn't mean they don't have value and they have some type of strategic value long term for us or tangential value for us that's meaningful. And so, as we look to each of those assets, is there a way to monetize it or more importantly, get that value captured in our share valuation while still keeping some of the strategic value that would be ideal. And as you look to each one of the assets, there are alternatives out there that are available that we continue to look at.

To be clear, there isn't anything imminent that we're thinking about on any one of those assets. As I've said previously, our CEO is focused on Wireless and Cable, and those are going to be the core value drivers. We haven't taken our eye off on our ability to enhance value at these other assets. But they take a bit more time and in terms of our ranking of priorities, they're sort of sitting in the right bucket of categories behind Wireless and Cable execution.

Operator: We have a question, yeah.

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Yeah.

Q

What do you think [indiscernible] (00:37:49-00:38:05)?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

In terms of the broader policy, absolutely, we'd like to maintain investment grade, but we are far from that being a risk for us. The dividend decision really didn't put us in the category of being investment grade or not investment grade. I mean, when you do the math, the dividend increase isn't going to be meaningful, but it's meaningful long term. And so that's what I kind of stress it is a – we do think about it as a long term decision.

If you're look at our balance sheet, we had a high leverage ratio, a high of 3.2 times and we've said we would like to see it in the 2 to 2.5 times range. And we've been consistently even bringing that down. Last quarter we ended at 2.8 times and you'll continue to see that leverage come down comfortably over the course of this year. So while it's one of the priorities we have in getting the leverage down, it's something that is happening with the cash flow ranges that we've provided.

Maher Yaghi
Analyst, Desjardins Securities, Inc.

Well, thank you Tony for coming in. Thank you everyone for staying around until 4:30 in the afternoon. It must be hard, but it was a great session Anthony. Thank you.

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Thank you everyone.