

Rogers Communications

4Q23 First Look: RCI driving stronger than expected volume growth

Maintain Rating: BUY | PO: 75.00 CAD | Price: 62.80 CAD

Wireless segment drove solid 4Q

Rogers reported in-line financial results for 4Q23. Wireless segment adjusted EBITDA was in-line with our estimates while Cable adjusted EBITDA come in better than our forecast. Post-paid wireless subscriber growth was ahead of the Street and our estimate and broadband net additions were slightly higher than expected. (see Exhibit 1). We maintain our Buy rating. We see upside from continued synergy realization, upcoming non-core asset sales, and progress toward hitting deleveraging targets.

Guidance is broadly in-line with our estimates

RCI shared 2024 guidance that includes service revenue growth of 8.0% – 10.0% (BofA @ 9.9%), adjusted EBITDA growth of 12.0% - 15.0% (BofA @ 13%), capex of \$3.8bn - \$4.0bn (BofA @ \$3.9bn), and FCF of \$2.9bn - \$3.1bn (BofA @ \$2.6bn).

Key issues for the call...

We are looking for management to address 1) the quarterly pacing of synergies and the cost to achieve, 2) real-estate and non-core business divestiture timing, and 3) competitive intensity within the wireless and broadband markets.

Exhibit 1: Rogers 4Q23 results summary.

RCI reported stronger than expected subscriber growth

	4Q23A Actual	4Q23E BofA	4Q23E Cons.	A/E %	A/C %	Growth y/y %
Consolidated						
Service revenue	4,470	4,474	4,527	-0.1%	-1.3%	30.1%
Adjusted EBITDA	2,329	2,324	2,352	0.2%	-1.0%	38.7%
Adjusted EPS	1.19	1.05	1.08	13.0%	10.0%	8.4%
Wireless						
Revenue	2,868	2,746	2,774	4.4%	3.4%	11.2%
Service revenue	2,020	2,025	2,023	-0.3%	-0.1%	8.8%
Adj. EBITDA	1,291	1,276	1,282	1.2%	0.7%	10.1%
Post-paid net adds	184	145	172	26.9%	7.1%	-4.7%
Blended ARPU	57.96	57.81	57.84	0.3%	0.2%	-1.2%
Cable						
Revenue	1,982	1,978	1,987	0.2%	-0.3%	94.5%
Adj. EBITDA	1,111	1,108	1,109	0.3%	0.1%	112.8%
Broadband net adds	20	16	17	25.0%	19.8%	185.7%
Media						
Revenue	558	558	585	0.1%	-4.6%	-7.9%
Adj. EBITDA	4	6	30	-28.3%	-86.8%	-93.0%

Source: BofA Global Research

BofA GLOBAL RESEARCH

Conference call details

RCI will host a conference call today at 8:00AM ET. Dial-in number 1-800-319-4610.

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Refer to important disclosures on page 3 to 6. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Equity

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Stock Data

Price (TOR / NYS)	62.80 CAD / 46.71 USD
Price Objective	75.00 CAD / 60.00 USD
Date Established	3-Apr-2023 / 3-Apr-2023
Investment Opinion	A-1-7 / A-1-7
52-Week Range	50.15 CAD - 67.73 CAD
Market Value (mn)	32,297 CAD
Free Float	96.8%
Average Daily Value	96.29 USD
Shares Outstanding (mn)	514.3 / 514.3
BofA Ticker / Exchange	YRCIB / TOR
BofA Ticker / Exchange	RCI / NYS
Bloomberg / Reuters	RCI/B CN / RCIb.TO
ROE (2023E)	22.0%
Net Dbt to Eqty (Dec-2022A)	199.2%
ESGMeter™	High

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Price objective basis & risk

Rogers Communications (YRCIB / RCI)

Our C\$75 (US\$60) price objective is based on a forward (2024E) EV/EBITDA multiple of 8.1x. This is above RCI 5-year average multiple of 7.8x but within the range of 6.8x to 9.0x. We believe a multiple near the upper end of its historical range is justified after its merger with Shaw due to 1) synergy realization, 2) ample FCF to delever the balance sheet, and 3) expanded growth opportunities. .

Downside risks to our PO are the inability to reach cost synergy targets, merger integration issues, and higher than expected costs required to realize targeted synergies.

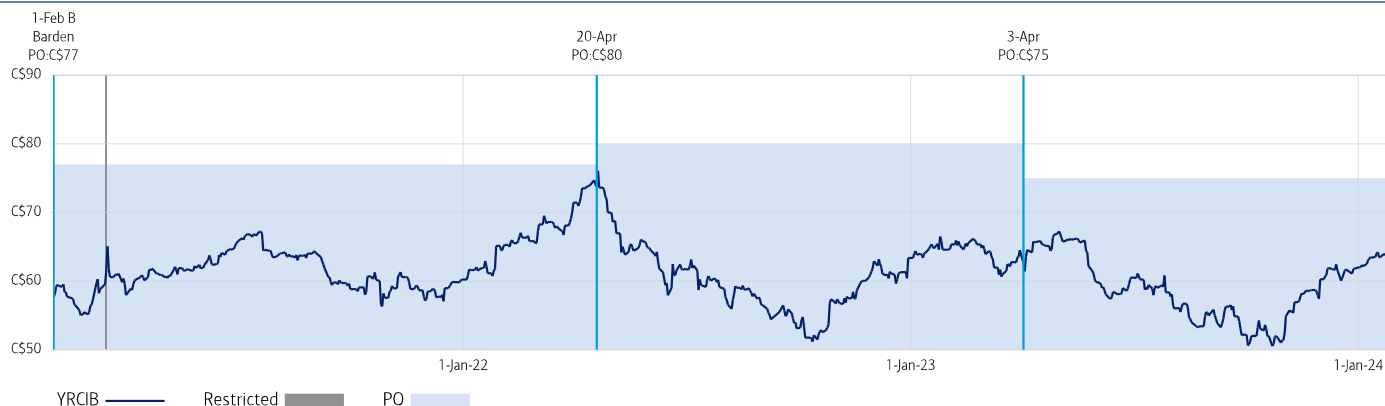
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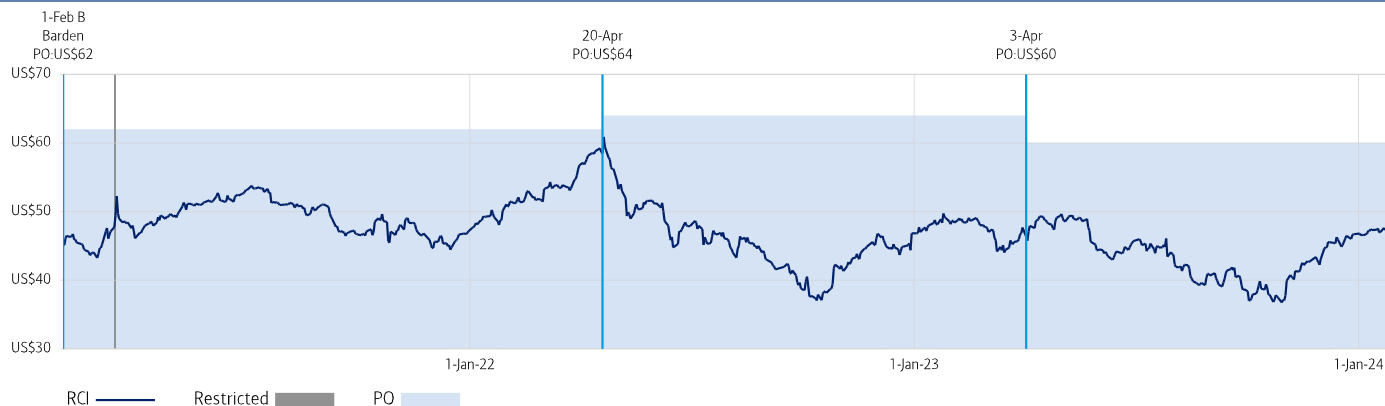
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Rogers (YRCIB) Price Chart



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Rogers (RCI) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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