

Rogers Communications

4Q23 Preview: RCI reports Feb 1, BMO;
conference call at 8:00AM ET

Reiterate Rating: BUY | PO: 75.00 CAD | Price: 63.60 CAD

Looking ahead to incremental merger upsides

We expect an in-line 4Q from RCI with a focus on merger synergy realization and the 2024 outlook. Results should reflect wireless service revenue growth driven by strong subscriber adds and stable underlying average revenue per user (ARPU). Churn is expected to be elevated (~1.45%) due to seasonal promotions. In Cable, the Shaw merger synergies will contribute to a y/y increase in margins (BofA @ 56%). We forecast 16,000 broadband net adds. Media will have tough y/y comparables as it benefited from a ~\$40mn distribution from Major League Baseball in 2023 that will not repeat. We forecast low single digit adj. EBITDA for Media in 4Q. We expect RCI to guide to high single digit service revenue growth (BofA @ 9.9%), low double digit adjusted EBITDA growth (BofAe @ 13%), capex of nearly \$4.0bn (BofAe @ C\$3.9bn) and free cash flow growth of 10% (BofA @ \$2.6bn).

Conference call expectations

We expect RCI will update investors on 1) the timing of merger synergies and the remaining cost to achieve synergies in 2024, 2) the timing of non-core asset sales in 1H24, and 3) underlying wireless and cable market growth assumptions used in 2024 guidance.

Exhibit 1: Estimate for RCI 4Q23

Subscriber growth will drive wireless service revenue

| | 4Q23E Cons. | 4Q23E BofA | Growth y/y % | 2023E Cons. | 2023E BofA | Growth y/y % |
|---------------------|----------------|---------------|-----------------|----------------|---------------|-----------------|
| Consolidated | | | | | | |
| Revenue | 5,285 | 5,202 | 39.0% | 19,258 | 19,175 | 24.5% |
| Adjusted EBITDA | 2,352 | 2,324 | 46.8% | 8,604 | 8,576 | 34.1% |
| Adjusted EPS | 1.09 | 1.05 | 24.5% | 4.46 | 4.50 | 19.6% |
| Wireless | | | | | | |
| Revenue | 2,774 | 2,746 | 21.1% | 10,127 | 10,100 | 9.8% |
| Service revenue | 2,024 | 2,025 | 15.0% | 7,805 | 7,807 | 9.5% |
| Adj. EBITDA | 1,283 | 1,276 | 16.7% | 4,978 | 4,971 | 11.2% |
| Post-paid net adds | 172 | 145 | -11.6% | 662 | 635 | 16.5% |
| Blended ARPU | 57.71 | 57.81 | 1.7% | 57.33 | 58.11 | 0.4% |
| Cable | | | | | | |
| Revenue | 1,988 | 1,978 | 102.8% | 7,011 | 7,001 | 72.0% |
| Adj. EBITDA | 1,110 | 1,108 | 138.2% | 3,773 | 3,771 | 83.2% |
| Broadband net adds | 16 | 16 | 166.7% | 2,034 | 2,034 | 3811.5% |
| Media | | | | | | |
| Revenue | 585 | 558 | 5.2% | 2,362 | 2,335 | 2.5% |
| Adj. EBITDA | 30 | 6 | -92.7% | 103 | 79 | 13.9% |

Source: BofA Global Research estimates, Visible Alpha

BofA GLOBAL RESEARCH

Conference call details

Rogers will host a conference call at 8:00AM ET. Dial in information 416-319-4610.

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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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31 January 2024

Equity

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Stock Data

| | |
|-----------------------------|-------------------------|
| Price (TOR / NYS) | 63.60 CAD / 47.53 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) | 32,708 CAD |
| Free Float | 96.8% |
| Average Daily Value | 98.33 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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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)

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|-------------------|-------|---------|--|-------|---------|
| 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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|-------------------|---|--|
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| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

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