

COMPANY PROFILE

Rogers Communications, Inc.

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COMPANY OVERVIEW

Rogers Communications, Inc. (RCI or "the company") is a public Canadian communications and media company. The company is engaged in providing wireless voice and data communications services; high-speed internet, cable television, cable telephony, and data networking services. RCI is also engaged in radio and television broadcasting; multi-platform shopping; consumer magazines and trade publications; sports media and entertainment; and digital media. The company primarily operates in Canada, where it is headquartered in Ontario and employed approximately 26,000 employees as on December 31, 2015.

The company recorded revenues of C\$13,414 million (\$10,507.1 million) during the financial year ended December 2015 (FY2015), an increase of 4.4% over FY2014. The operating profit of the company was C\$2,589 million (\$2,027.9 million) in FY2015, a decrease of 2.9% compared to FY2014. The net profit of the company was C\$1,381 million (\$1,081.7 million) in FY2015, an increase of 3% over FY2014.

KEY FACTS

Head Office	Rogers Communications, Inc. 333 Bloor Street East 10th Floor Toronto Ontario M4W 1G9 CAN
Phone	1 416 935 7777
Fax	
Web Address	http://www.rogers.com
Revenue / turnover (CAD Mn)	10,507.1
Revenue (USD Mn)	13,414.0
Financial Year End	December
Employees	26,000
Toronto Stock Exchange Ticker	RCI.A

SWOT ANALYSIS

Rogers Communications, Inc. (RCI or "the company") is a public Canadian communications and media company. The company's strong market position and customer reach enhances RCI's brand image and provides competitive edge over its peers. However, intense competition across various segments could put pricing pressure and impact its revenues and market share in the coming years.

<p>Strength</p> <p>Strong market position and extensive customer reach Extensive network infrastructure</p>	<p>Weakness</p> <p>Legal proceedings</p>
<p>Opportunity</p> <p>Strategic agreements and partnerships Positive outlook for cloud-based solutions Strong outlook for Canada's internet access market</p>	<p>Threat</p> <p>Operating in fiercely competitive environment could dent market share Stringent government regulations could restrict company's growth Dependence on few key infrastructure and handset vendors</p>

Strength

Strong market position and extensive customer reach

RCI enjoys a strong market position and extensive customer reach in Canada. The company is engaged in four primary lines of business through its four principal operating segments: Rogers Wireless, Rogers Cable, Rogers Media and Rogers Business Solutions. Rogers Wireless is Canada's largest wireless carrier with 9.9 million subscribers and a market share of approximately 34% in the Canada at the end of FY2015. The segment provides wireless voice and data roaming across the US and approximately 200 other countries internationally, and is also Canada's leader in providing wireless M2M solutions to businesses across the country. It markets its products and services under the Rogers Wireless, Fido, chatr and Mobilicity brands through an extensive nationwide distribution network across Canada.

The company's Rogers Cable segment is one of Canada's largest providers of high-speed broadband Internet access, digital television and online viewing, phone and advanced home Wi-Fi services. The segment's cable business had 1.9 million television subscribers in FY2015. It offers high-speed internet service to approximately 2.1 million subscribers. It also offers local telephone and long-distance services to residential and small business customers and had 1.1 million subscriber lines in FY2015 and has network that passes approximately 4.2 million homes in Ontario, New Brunswick and Newfoundland.

In addition, RCI's media business also holds a significant position in the Canadian market. It operates a strong portfolio of radio and television broadcasting, televised shopping, sports entertainment, publishing, and digital media properties. The company's radio group operates 50 radio stations across Canada, while its television properties include the City network; OMNI television stations; specialty sports television services licensed to provide sports programming across Canada; and the Shopping Channel, Canada's only nationally televised shopping service. Media's sports entertainment assets include the Toronto Blue Jays Baseball Club and Rogers Centre, Canada's largest sports and entertainment facility.

Strong market position and customer reach enhances RCI's brand image and provides competitive edge over its peers.

Extensive network infrastructure

The company has an extensive network infrastructure in Canada. RCI has one of the most extensive and advanced wireless networks in Canada which supports wireless services on smartphone, tablets, computers and a variety of M2M, mobile commerce, retail point of sale and other specialized devices. In addition, RCI wireless services are supported by its significant spectrum holdings in both high-band and low-band spectrum. Its spectrum holdings include a 24 MHz license in 700 MHz spectrum which supports 4G LTE subscribers; and 25 MHz license in 850 MHz spectrum. In the 1900 MHz spectrum band, the company holds 60 MHz in all areas of Canada except 40 MHz Northern Quebec; and 50 MHz in Southern Ontario and 40 MHz in the Yukon, Northwest Territories and Nunavut. Similarly, RCI has 20 MHz across Canada of the AWS spectrum; 60 MHz (40 MHz FDD plus 20 MHz TDD) in key population centres across Canada of the 2500 MHz spectrum. The company also added and activated 20 MHz of contiguous AWS-1 spectrum adjacent to their existing 20 MHz of AWS-1 holdings across British Columbia and Alberta, and added 10 MHz of contiguous AWS-1 spectrum across Southern Ontario and also 20-year licenses for two 12MHz blocks of contiguous spectrum in Canada's major geographic markets. Moreover, the company also has access to additional spectrum through several network sharing agreements.

In addition to significant wireless network and spectrum, the company has an expansive fibre and hybrid fibre coaxial network infrastructure that provides consumers, businesses and governments in Ontario, New Brunswick and Newfoundland with a range of communications services, including video, broadband Internet, voice and data networking. The network is structured to optimize performance and reliability and to allow for the simultaneous delivery of video, voice and Internet over a single platform. It is generally constructed in rings that interconnect with distribution hubs, minimizing disruptions that can result from fibre cuts and other events. Homes and commercial buildings are connected to their network through hybrid fibre-coaxial nodes. The node is reached by fibre optic cable and in turn from the node to the home, video, voice and broadband services are delivered using 860 MHz (Ontario) and 750 MHz (Atlantic Canada) over coaxial cable. It offers broadband Internet service using the DOCSIS 3.0/ 3.1 standard which combines multiple RF channels onto one access into the customer premise. Its voice-over-cable telephony services are provided over a dedicated DOCSIS network.

The company's extensive network infrastructure and continuous focus on enhancing network capabilities enable it to serve a huge customer base.

Weakness

Legal proceedings

The company has been involved in several legal proceedings. For instance, in 2004, a proceeding under the Class Actions Act was commenced against providers of wireless communications, including RCI, in Canada relating to the system access fee charged by wireless carriers to some of their customers. The plaintiffs sought unspecified damages and punitive damages, effectively the reimbursement of system access fee collected. A similar cases was filed against the company in 2009 and 2011, which are still pending.

In 2013, the plaintiffs applied for an order to be allowed to proceed with the second system access fee class action. During the year, the court denied this application and the second action remains conditionally stayed. In 2013 the plaintiff applied for an order permitting them to amend the Statement of Claim to reintroduce the claims they were not permitted to proceed with in the 2007 certification decision. In 2014, the court denied this application. There are proceedings underway in Alberta, Manitoba and Nova Scotia to determine whether matching claims should be allowed to proceed in those provinces. At the same time the Saskatchewan class action was commenced, corresponding claims were filed in multiple jurisdictions across Canada, although no active steps were taken by the plaintiffs. In 2014, the Nova Scotia Supreme Court declined to stay or dismiss the corresponding claim brought by the plaintiffs in Nova Scotia as an abuse of process. Rogers has filed its notice of appeal in respect of that decision. In 2014, the Manitoba Court of Queen's Bench unconditionally stayed the corresponding claim brought in Manitoba as an abuse of process. An appeal in respect of that decision has been filed by the plaintiffs. In 2015, the Court of Queen's Bench of

Alberta declined to dismiss the corresponding claim in Alberta.

The company may face similar claims of liability at additional sites in the future. Although, RCI maintains reserves to cover the costs for claims and lawsuits, such litigations would impact the company's brand image and reputation.

Opportunity

Strategic agreements and partnerships

The company is focused on expanding its offerings through strategic partnerships and agreements. For instance, in March 2015, RCI announced partnership with Spotify to offer music streaming service to Fido customers' smartphones and tablets. This exclusive agreement will give Fido customers a free 24-month subscription to Spotify Premium. In the same month, the company launched Voice over LTE (VoLTE) across Canada. Further in June 2015, RCI completed the acquisitions of Mobilicity, which provided wireless telecommunication services in Toronto, Ottawa, Calgary, Edmonton, and Vancouver to its 154,000 prepaid subscribers and owned AWS-1 spectrum licences. In the same month, the company acquired Shaw's AWS wireless spectrum which provided the company with more contiguous spectrum in British Columbia and Alberta.

Also in December 2015, RCI acquired Internetworking Atlantic to provide enhanced technology solutions and services for businesses and public sector clients in Atlantic Canada. The acquisition enables the company to offer greater local expertise in the areas of cloud computing, data center services, fiber networking and professional services. Also in the same month, RCI planned to form a joint venture with BCE under which the two companies will jointly own GLENTEL's Canadian retail distribution outlets once the pending acquisition of GLENTEL by BCE is completed. Such strategic partnerships and agreements would further strengthen RCI's market position and increase its market share.

Positive outlook for cloud-based solutions

The worldwide outlook for cloud computing services is expected to grow significantly in the coming years. Cloud computing is a computing infrastructure model, which enables delivery of software-as-a-service (SaaS). Appeal to cloud computing has been increasing as it enables companies to reduce their expenses related to upfront royalty or licensing payments, investment in hardware infrastructure and other operating expenses. According to industry estimates, worldwide spending on public cloud services is expected to grow at a CAGR of over 19% from nearly \$70 billion in 2015 to more than \$141 billion in 2019. In 2018, public IT cloud services will account for more than half of worldwide software, server, and storage spending growth. Industry estimates suggest that global SaaS market is expected to be major contributor to the cloud computing market. The growth in public cloud services spending is primarily driven by the emergence of virtual private cloud (VPC) offerings.

The company through its business solutions business provides network connectivity through its fibre network assets to support cloud-based services for medium and large Canadian businesses, governments, and other telecommunications providers. Its portfolio of cloud solutions include cloud infrastructure-as-a-service, colocation services, and server management services. The company is also focused on continuously expanding its presence in the cloud computing market. For instance, In December 2015, RCI acquired Internetworking Atlantic to provide enhanced technology solutions and services for businesses and public sector clients in Atlantic Canada. The acquisition enables the company to offer greater local expertise in the areas of cloud computing, data centre services, fibre networking and professional services. The company's increased focus and the robustly growing end market will provide it with significant growth opportunities in the coming years.

Strong outlook for Canada's internet access market

The outlook for Canada's internet access market is strong. Canada's internet access market has experienced strong growth over the past five years, outperforming their American neighbors. According to MarketLine, the Canadian internet access market had total revenues of \$8.2 billion in 2015, representing a compound annual growth rate (CAGR) of 15% between 2010 and 2015. Furthermore, the performance of the market is forecast to remain strong, with an anticipated CAGR of 14% for the 2015-19 periods, which is expected to drive the market to a value of \$14 billion by the end of 2019.

The company's Rogers Cable segment is one of Canada's largest providers of high-speed broadband Internet access. RCI through its wireless and cable segments provides residential and commercial high-speed internet access services. The company uses advanced digital hybrid fiber-coax network to provide market-leading broadband internet access. RCI offers services including basic internet access; mobile and fixed high-speed internet access; third-party internet access (TPIA) services in local markets; and voice applications over the internet access services. The company offers its services to residential, small business, and wholesale internet access subscribers. Strong outlook for internet access market in Canada will strengthen the company's business offerings and revenue.

Threat

Operating in fiercely competitive environment could dent market share

The company faces significant competition in each of its primary wireless, cable and media businesses from entities providing substantially similar services. Each of RCI's segments also faces competition from entities utilizing alternative communications and transmission technologies. The company's wireless business competes based on quality of service, scope of services, network coverage, sophistication of wireless technology, breadth of distribution, selection of devices, branding and positioning, and price. In the wireless voice and data market, RCI's wireless business competes primarily with two other national wireless service providers, new entrants, and two large regional players, resellers such as Primus, and other providers using alternative wireless technologies, such as WiFi "hotspots". Its other competitors include Quebecor Media, Shaw Communications, Eastlink, MTS, Wind Mobile, Bell Canada, and TELUS.

The company's Canadian cable television systems generally face competition from several alternative Canadian multi-channel broadcasting distribution undertakings, including Bell TV and Shaw Direct satellite services and telephone company IPTV services. It also faces competition from illegal reception of the US direct broadcast satellite services. RCI also competes with television shows and movies streaming over the internet through providers like Netflix and Apple TV. Cable business' internet access services compete generally with ISPs offering competing residential and commercial dial-up and high-speed internet access services. It competes directly with Bell's DSL Internet service in Ontario, with the DSL Internet services of Bell Aliant in New Brunswick and Newfoundland, and various resellers using

wholesale telco DSL and cable third party Internet access services in local markets. In addition, home phone services business competes with Bell's wireline phone service in Ontario and with Bell Aliant's wireline phone service in New Brunswick and Newfoundland and Labrador. It also competes with ILEC local loop resellers (such as Primus) as well as VoIP service providers (such as Vonage and Skype).

In the media business, RCI's radio stations compete with large radio operators, including satellite radio operator Sirius/XM, the CBC, Bell Media and Corus Entertainment; with other media, including newspapers, magazines, television and outdoor advertising; and with new technologies such as online web information services, music downloading, portable media players and online music streaming services. Similarly, the Shopping Channel competes with various retail stores, catalogue retailers, internet retailers and direct mail retailers for sales of its products. The magazines business faces competition from foreign, mostly the US titles that sell in significant quantities in Canada. On-line information and entertainment websites compete with the Canadian magazine publications for readership and revenue. The company's conventional television and specialty services compete principally for viewers and advertisers with other Canadian television stations that broadcast in their local markets, specialty channels and increasingly with other distant Canadian signals and US border stations given the time-shifting capacity available to digital subscribers.

RCI's business solutions business competes with facilities and non-facilities-based telecommunications service providers, as well as with incumbent fibre-based providers. The company's main competitors include Bell, Cogeco Data Services, Allstream, Videotron, Eastlink, TELUS and Shaw Communications.

Intense competition across various segments could put pricing pressure and impact its revenues and market share in the coming years.

Stringent government regulations could restrict company's growth

The company operates in a highly regulated industry. Substantially all of RCI's business activities and the non-broadcasting operations of media, are subject to regulation by two groups which include the Canadian Federal Department of Innovation, Science and Economic Development on behalf of the Minister of Innovation, Science and Economic Development; and the Canadian Radio-television Telecommunications Commission (CRTC), under the Telecommunications Act and the Broadcasting Act. Canadian broadcasting and telecommunications operations, including the company's cable television systems, radio and television stations, and specialty services are licensed and regulated by the CRTC under the Broadcasting Act. The CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting and telecommunications system. It is also responsible under the Telecommunications Act for the regulation of telecommunications carriers, including Wireless' mobile voice and data operations; and Cable's Internet and telephone services.

RCI's wireless business is also highly regulated. The new policy impacts all parties that plan to install or modify an antenna system, including PCS, cellular and broadcasting service providers. Among other things, the policy requires that antenna proponents must consider the use of existing antenna structures before proposing new structures and owners of existing systems must respond to sharing requests. Antenna proponents must also undertake public notification using defined processes and must address local requirements and concerns. Certain types of antenna installations are excluded from the requirement to consult with local authorities and the public. This wireless tower policy could increase wireless costs and delay the company's expansion of wireless' networks.

Furthermore, the CRTC is currently reviewing wireline wholesale services, wireless wholesale roaming rates, and paper bill charges; and achievement of basic service objective to all Canadians, especially those in high-cost serving areas. In addition, the federal government announced to amend both the Telecommunications Act and the Radio communication Act to give the CRTC and Industry Canada the option to impose monetary penalties on companies that violate established rules, such as the Wireless Code and those related to the deployment of spectrum, services to rural areas and tower sharing. The Wireless Code established a mandatory code of conduct for providers of retail mobile wireless voice and data services to individuals and small businesses. The Wireless Code imposes several obligations on wireless carriers, including maximum contract term length, roaming bill caps, device unlocking requirements, and contract summaries. It deals with rules for device subsidies and early cancellation fees.

Failure to comply with regulations and any unfavorable changes in the regulations will have an adverse impact on the company's operations and growth.

Dependence on few key infrastructure and handset vendors

The company's wireless business has relationships with a relatively small number of essential network infrastructure and handset vendors. RCI does not have operational or financial control over them, and only have limited influence on how they conduct their business with the company. If one of RCI's network infrastructure suppliers fails, it could delay adding network capacity or new capabilities and services. Handsets and network infrastructure suppliers can extend delivery times, raise prices and limit supply due to their own shortages and business requirements, among other things. If these suppliers do not develop handsets that satisfy customer demands, or deliver products and services on a timely basis, it could have a material adverse effect on the company's business, financial condition and results of operations. Thus, any interruption in the supply of equipment for RCI's networks could affect the quality of service or impede network development and expansion.

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