COMPANY PROFILE

Rogers Communications, Inc.

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COMPANY OVERVIEW

Rogers Communications, Inc. (RCI or "the company") is a diversified communications and media company. The company is engaged in providing wireless voice and data communications services; and cable services. RCI, through Rogers Media, is engaged in radio and television broadcasting, televised shopping, magazines and trade publications. The company primarily operates in Canada, where it is headquartered in Ontario and employed approximately 27,000 people in FY2014.

The company recorded revenues of C$12,850 million ($11,637 million) during the financial year ended December 2014 (FY2014), an increase of 1.1% over FY2013. The operating profit of the company was C$2,665 million ($2,413.4 million) in FY2014, a decrease of 8.9% as compared to FY2013. The net profit of the company was C$1,341 million ($1,214.4 million) in FY2014, a decrease of 19.7% as compared to FY2013.

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)	12,850.0
Financial Year End	December
Employees	27,000
Toronto Stock Exchange Ticker	RCI
New York Stock Exchange Ticker	RCI

SWOT ANALYSIS

Rogers Communications, Inc. (RCI or "the company") is a diversified 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.

Strengths	**Weaknesses**
Strong market position and extensive customer reach Extensive network infrastructure	Legal proceedings Declining ARPU could impact profitability
Opportunities	**Threats**
Strategic agreements and partnerships Rising demand for smartphones Growing demand for cloud computing services	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

Strengths

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 9.5 million subscribers and had a market share of 35% in the Canada at the end of FY2014. It is the only national carrier on the combined world standard GSM, HSPA+, and LTE technology platforms. 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 and chatr brands through an extensive nationwide distribution network across Canada.

The company's Rogers Cable segment is one of Canada's largest providers of cable television, high-speed internet access and phone services. The segment's cable business had two million television subscribers in FY2014. It offers high-speed internet service to approximately two 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 FY2014 and has network that passes approximately four 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; Sportsnet and Sportsnet ONE 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 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 won 20-year licenses for two 12MHz blocks of contiguous, paired lower 700MHz band 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. The network is sub-divided into smaller clusters of homes interconnected at a central node. 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 of spectrum over coaxial cable. It offers broadband Internet service using the DOCSIS 3.0 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.

Weaknesses

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. Towards the end of 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 March 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 July 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 August 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.

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.

Declining ARPU could impact profitability

The company has witnessed a decline in its average revenue per user (ARPU) in Canada during recent years. Rogers Wireless' blended ARPU decreased from C$59.6 ($55.8) in FY2013 to C$59.4 ($53.7) in FY2014. The decline was primarily due the relatively unchanged network revenue and an increase in average number of wireless subscribers over the course of the year. Declining ARPU would further put pressure on RCI's profitability.

Opportunities

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 November 2014, RCI announced a new subscription video-on-demand service called shomi, available in a beta trial to all Rogers Internet or cable customers. Earlier in July 2014, RCI and WWE signed a 10-year broadcast and multimedia agreement, making the company as the exclusive distributor of WWE's flagship programming in Canada through 2024. The deal extends WWE's current programming on Sportsnet 360 and includes the right to distribute WWE Network as a premium linear channel. As part of the agreement, Rogers will be the exclusive distribution partner of all WWE pay-per-view events throughout Canada and will sponsor an application to the CRTC to bring the popular WWE Network to Canada. Rogers will offer this WWE Network content preview subscription to all cable, satellite and IPTV providers across Canada. In the same month, RCI and GLENTEL extended their multi-year agreement to offer the company's products and services in GLENTEL's 485 retail locations across Canada.

Similarly in June 2014, RCI and Vodafone announced a new partner market agreement. Under the non-equity agreement, the company became Vodafone's exclusive partner in Canada and the two companies will explore new business opportunities as well as offer customers a range of products and services, including 4G roaming services. Multinational customers of Vodafone Global Enterprise are expected to benefit from the addition of Canada to their existing contracts for international managed services. In addition, Rogers is expected to draw on Vodafone's expertise in building and developing 4G mobile broadband networks, working with leading global equipment providers.

Such strategic partnerships and agreements would further strengthen RCI's market position and increase its market share.

Rising demand for smartphones

The smartphones market is expected to grow at a robust pace in the medium term. According to industry estimates, the worldwide smartphone market is forecasted to record robust growth in the coming years due to strong consumer demand and increased commercial buying. The worldwide smartphone shipments is expected to grow at 9.8% in 2015 to reach 1.43 billion units. It is forecasted to reach 1.86 billion in terms of volumes, representing a CAGR of 7.4% during 2015-19 periods. The robust outlook for the smartphone and tablet market is expected to boost the demand for the data. RCI is well poised to exploit the demand for these data intensive mobile devices which will enable the company to enhance revenues.

Growing demand for cloud computing services

The worldwide demand 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, the public cloud services' spending is forecasted to grow at a CAGR of 22.8% during 2014-18 periods and reach more than $127 billion in 2018. 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 coming years.

Threats

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 compete 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 one or more of the Canadian Federal Department of Industry, on behalf of the Minister of Industry; the Canadian Radio-television Telecommunications Commission (CRTC) under the Telecommunications Act; and the CRTC under the Broadcasting Act. Canadian broadcasting operations, including the company's cable television systems, radio and television stations, and specialty services are licensed and regulated by the CRTC pursuant to the Broadcasting Act. Under the Broadcasting Act, the CRTC is responsible for regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing certain broadcasting policy objectives enunciated in that Act.

RCI's wireless business is also highly regulated. For instance, in 2007, Industry Canada released a new Tower Policy (CPC-2-0-03) outlining a new antenna siting policy that took effect in 2008. 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 applies across Canada and sets baseline requirements for customer rights and service provider responsibilities that all mobile wireless service providers must follow. It deals with issues such as: clarity and content of mobile wireless service contracts, application of early cancellation fees, mandatory caps on data and roaming charges, and removal of cancellation fees after two years.

In addition, various regulations also control among other things, licensing, competition, the cable television programming services that RCI must distribute, wireless and wireline interconnection agreements; the rates it may charge to provide access to its network by third parties; resale of the company's networks and roaming on to its networks; its operation and ownership of communications systems; and its ability to acquire an interest in other communications systems. Moreover, the costs of providing services may be increased from time to time as a result of compliance with industry or legislative initiatives to address consumer protection concerns or such Internet related issues as copyright infringement, unsolicited commercial e-mail, cyber-crime and lawful access.

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 do 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.