The 5G Catalyst: Rogers Communication

Presented to:
Equity Research Associates

BUY
12-Month
$50 Target Price
9% Upside

Analysts

Team FN1

Objective:

Assess a buy/sell/hold recommendation of Rogers Communications Inc. using valuation and market context

ROGERS™

January 2025

Agenda

Our coverage includes the full picture

For a large industry like telecom, a lot of variables are required to analyze

- Our Goal as Analysts
- Market Overview
- Industry and Regulation
- Prior and Potential Acqusitions/Divestitures
- Multiples Approach to Valuation
- Single Stage & Multiple DDM
- Risks
- Implementation

We recommend a BUY on Rogers Communication

Rogers is the largest wireless network provider in Canada

1 Our Thesis & Valuation

$50 Target

9% Upside

Comps	$65	50%
DDM	$33	20%
Multi DDM	$33	30%

1) An equity based $7b buyout of wireless assets allows Rogers to de-lever

2) Rogers has significant upside in its Sports Assets division

3) Incremental Market Optimism and User Growth

2 Recommendations to Our Buy-Side Firm

A Define Your Risk Profile

B Monitor Telecom Divestiture Terms

C Re-evaluate at $50 Share Target

Divest to delever, sports assets as upside, and growth to boost valuation

As research analysts, our goal is to..

Focus on fundamental, intrinsic value

Invest in firms with competitive advantage

Maintain a specific risk profile

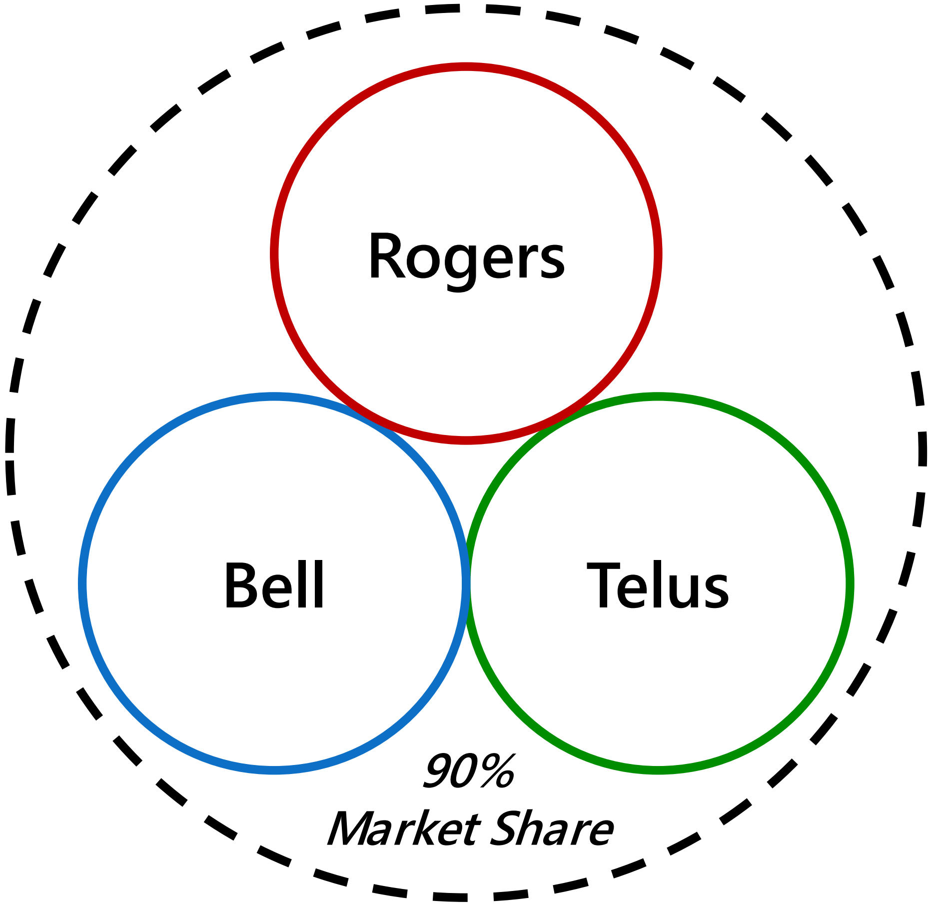
Current risk profile unknown

Current position on Rogers unknown

Current sector allocation unknown

We recommend to assess your risk profile, and allocation to the telecom sector

Canada has a telecom oligopoly market



Major providers for mobile, internet & TV services

Reduced competition & high barrier to entry

Over 90% of the entire domestic market

The Big Three control an overwhelming majority of Canada's telecom

Regulated by CRTC

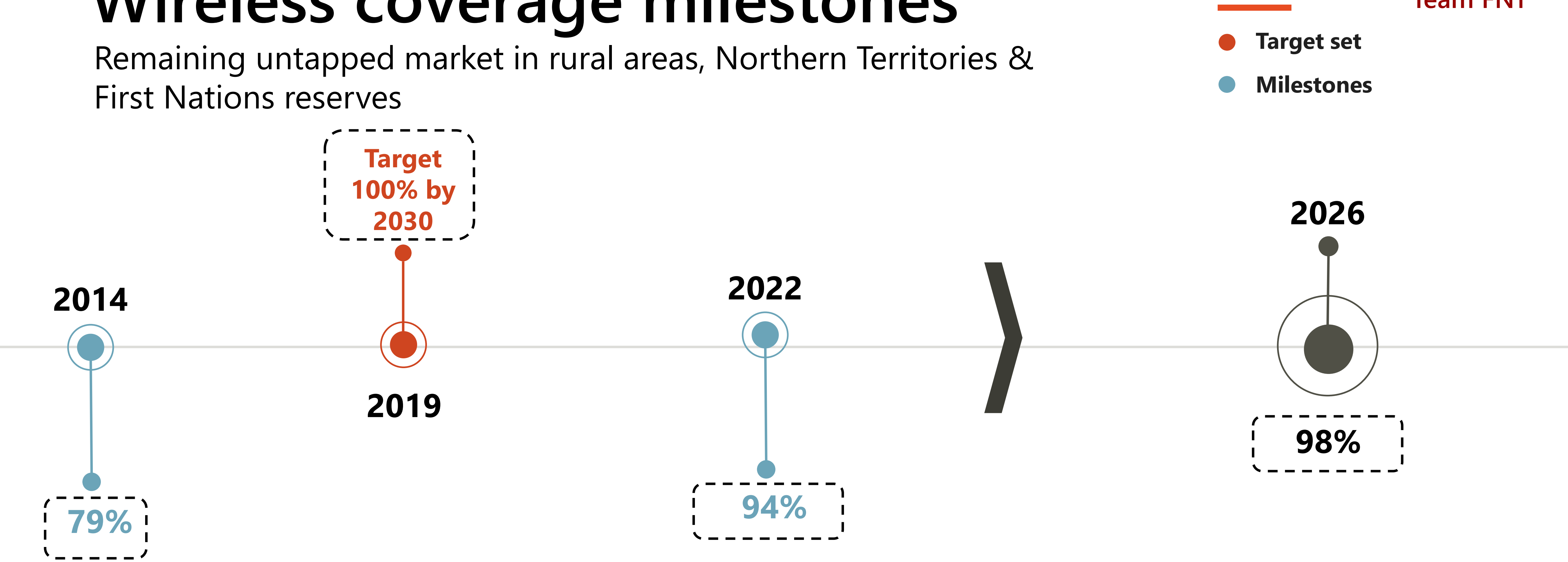
The CRTC is the overreaching hand of Canadian's telecom oligopoly

Promote Competition & Investment	CRTC intervene if insufficient competition
Modernize broadcasting & bargaining framework	CRTC ensures broadcasting & negotiation stds
Canadian-owned & operated	Company not controlled by foreign entities, only provide to Canada

Although telecoms is an oligopoly market, they do not have full control on their outcomes

Wireless coverage milestones

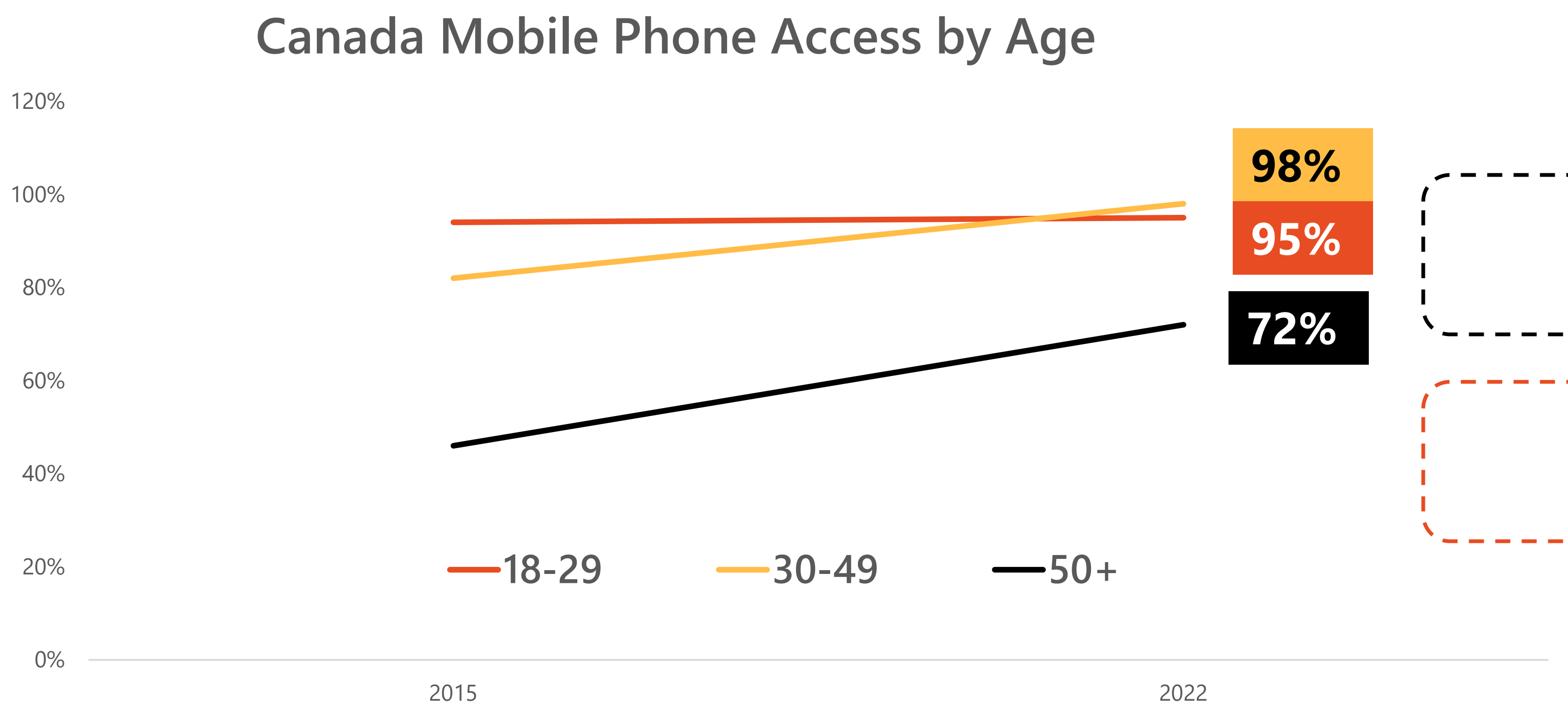
Remaining untapped market in rural areas, Northern Territories & First Nations reserves



Increased coverage gives rise to competition for market share

Majority of Canadians have phone access

Phone access is growing, and phones are becoming more prevalent



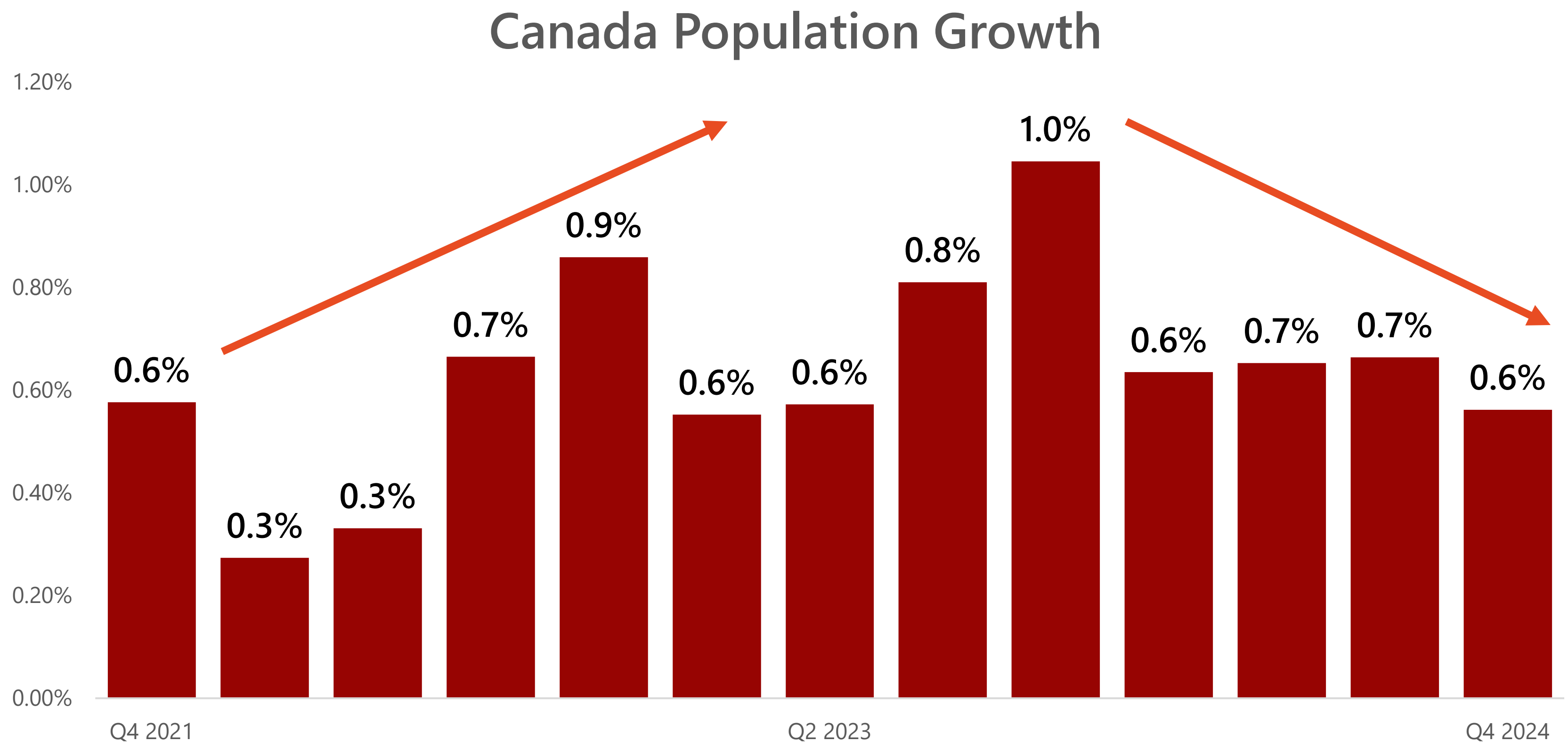
Reliability

Innovation

Companies must invest in reliability & innovation to win market share

Canada displayed declining population

An increased population means increased users, and population is slowing down

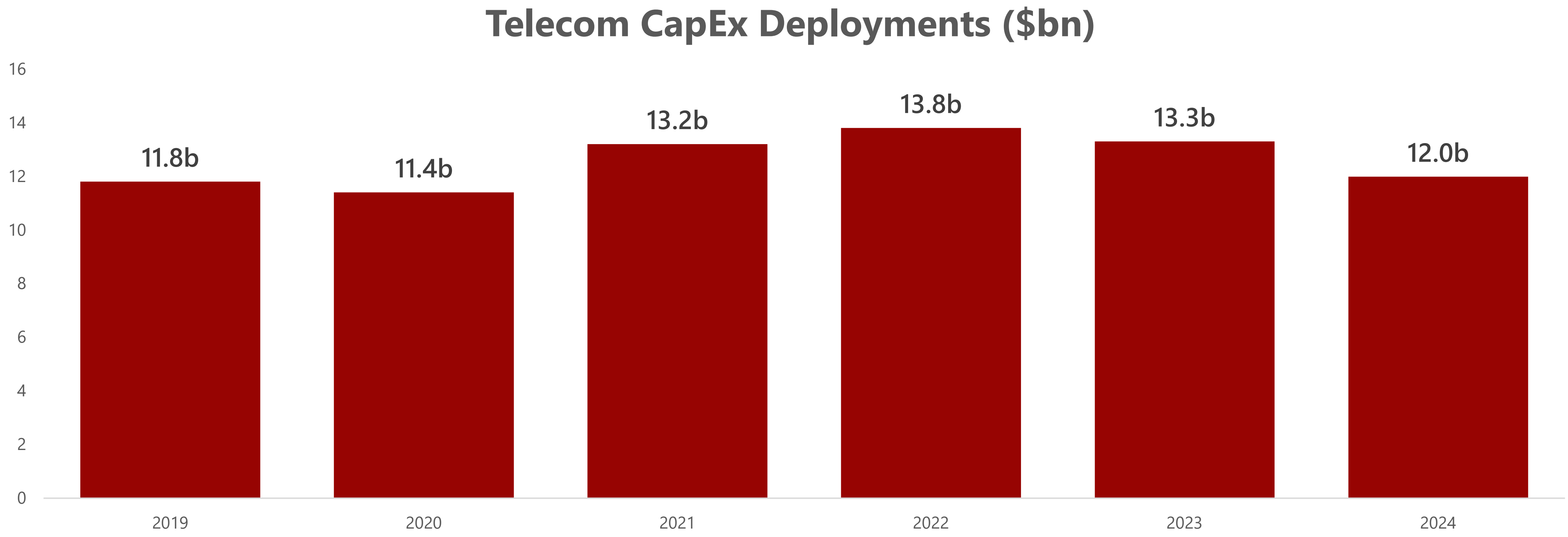


Stricter immigration rules reinforce **slow & declining growth in the future**

Slow & declining population growth further limits the market providers can acquire

Capex requirement are cyclical, but large

Telecom providers are building 5G infrastructure



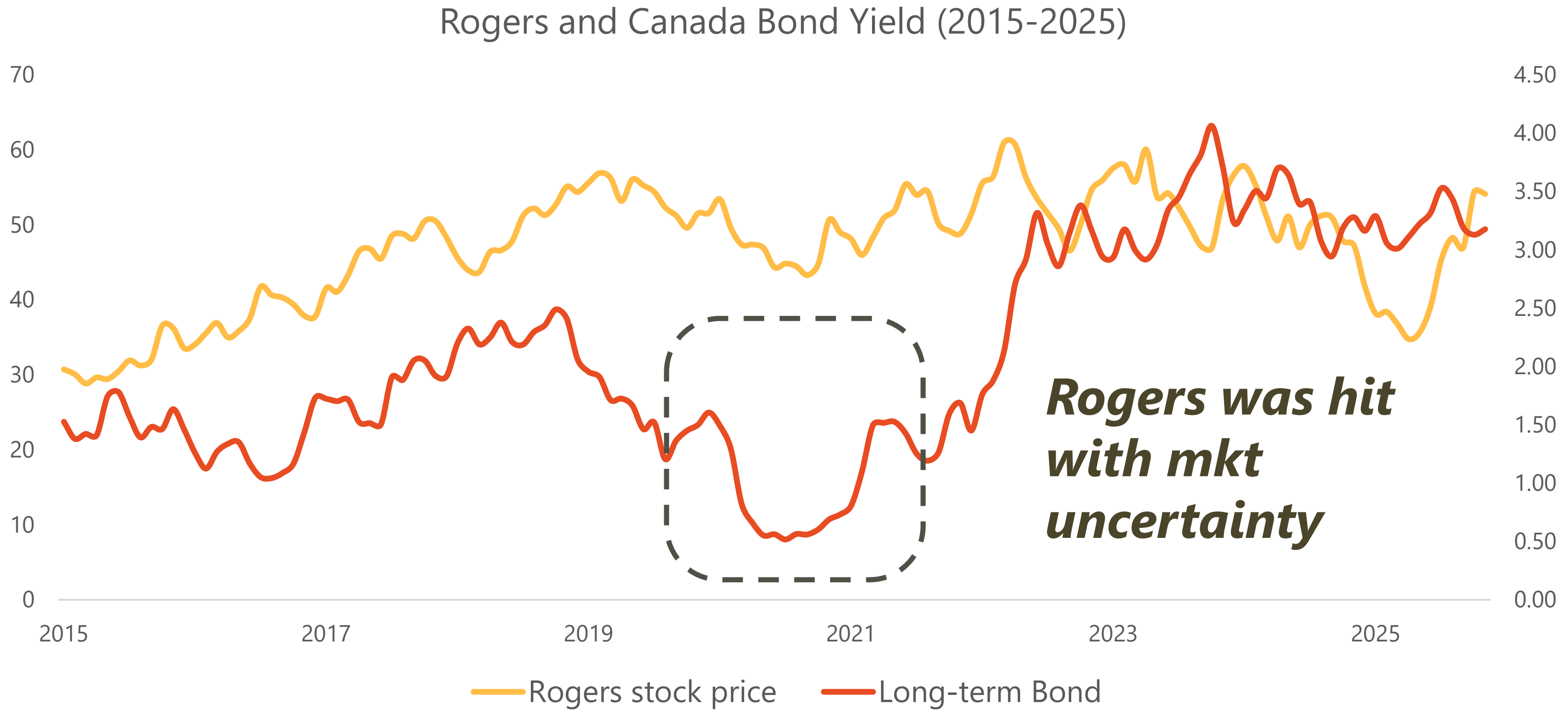
Pressure to raise enough capital for investments

We regressed share price and yields

Do rates have a correlation with share performance?

Regression Output

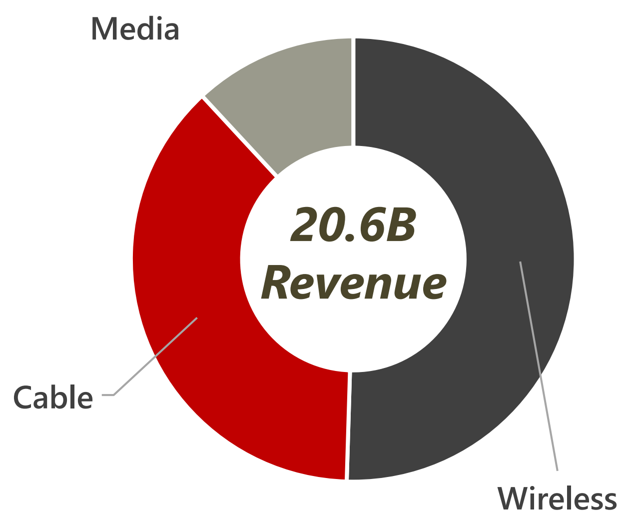
R-Squared	9%
F-significance	0.07%
P-value	0.07%
Slope	~42

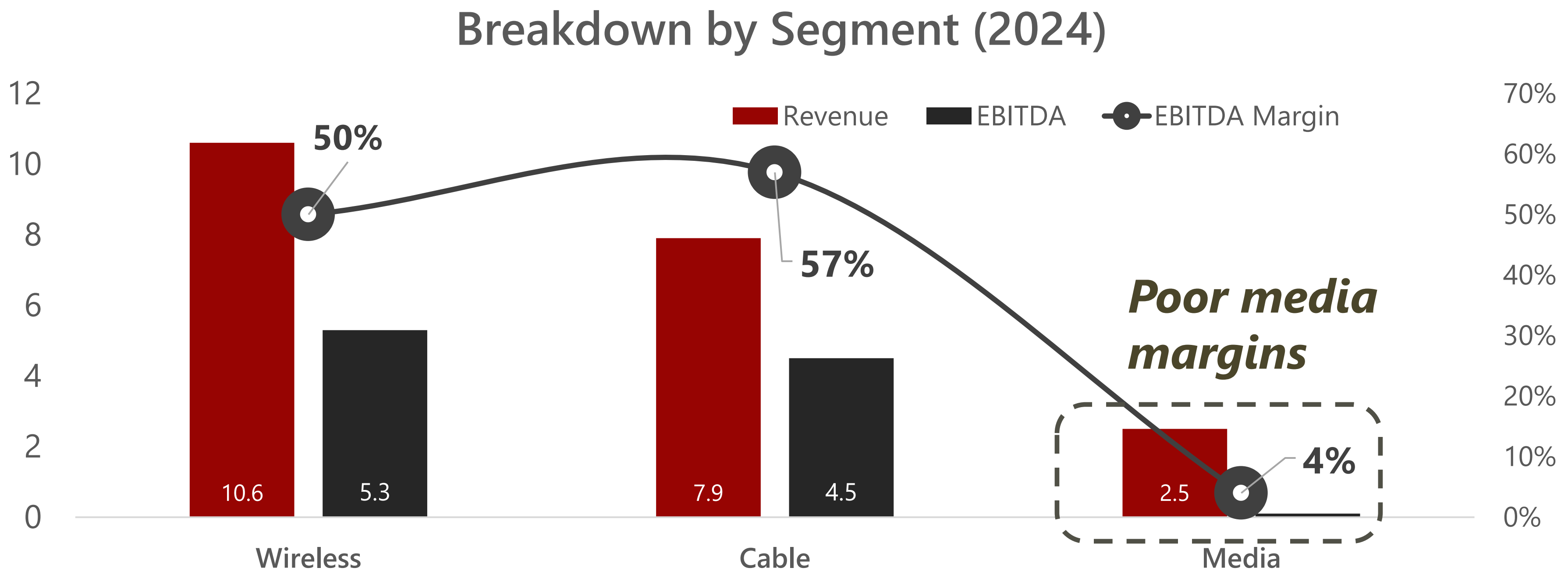


Cost of debt has significant relationship with stock price, but minimal impact

Diversified Revenue Streams

Rogers is Canada's #1 wireless provider, with diversified streams in cable and media

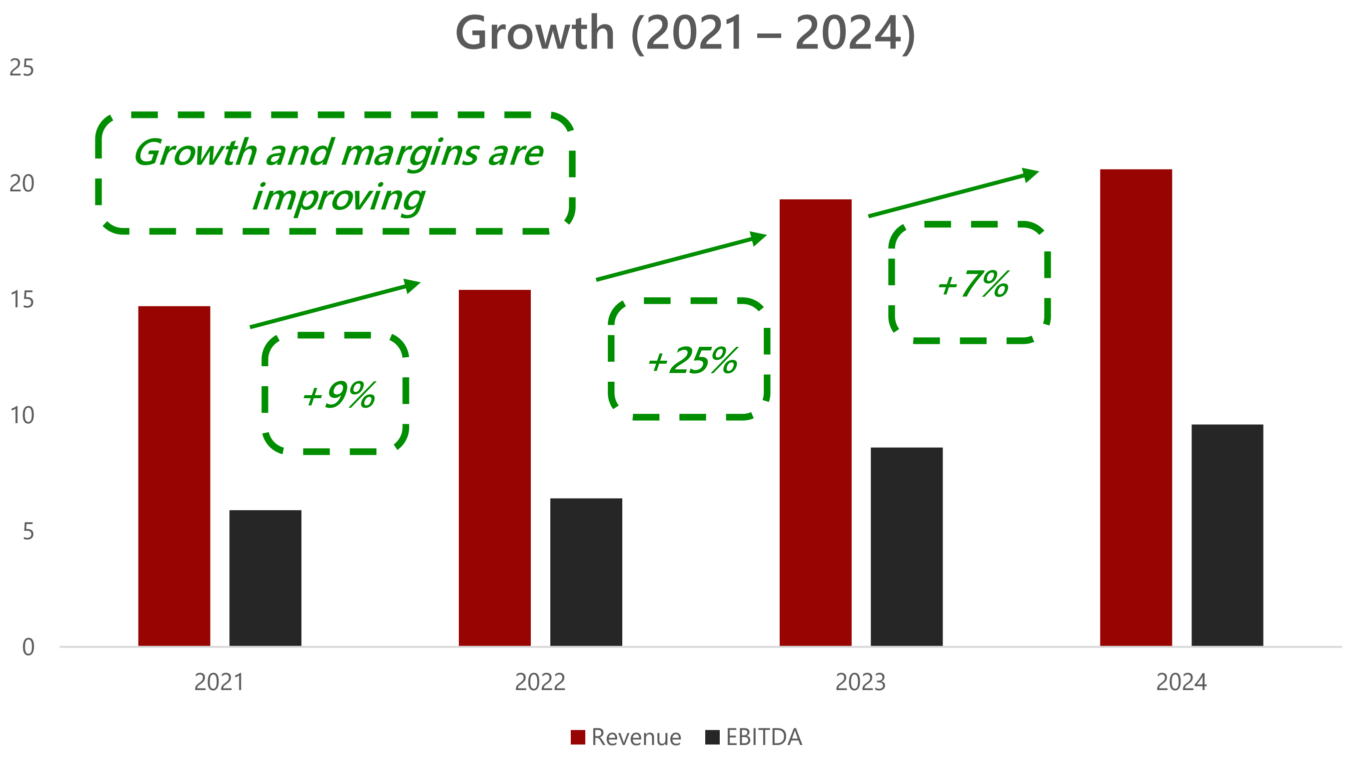




Wireless takes the charge, with not much margin in Media

Solid growth, so what's missing?

Rogers is improving at an extremely quick rate



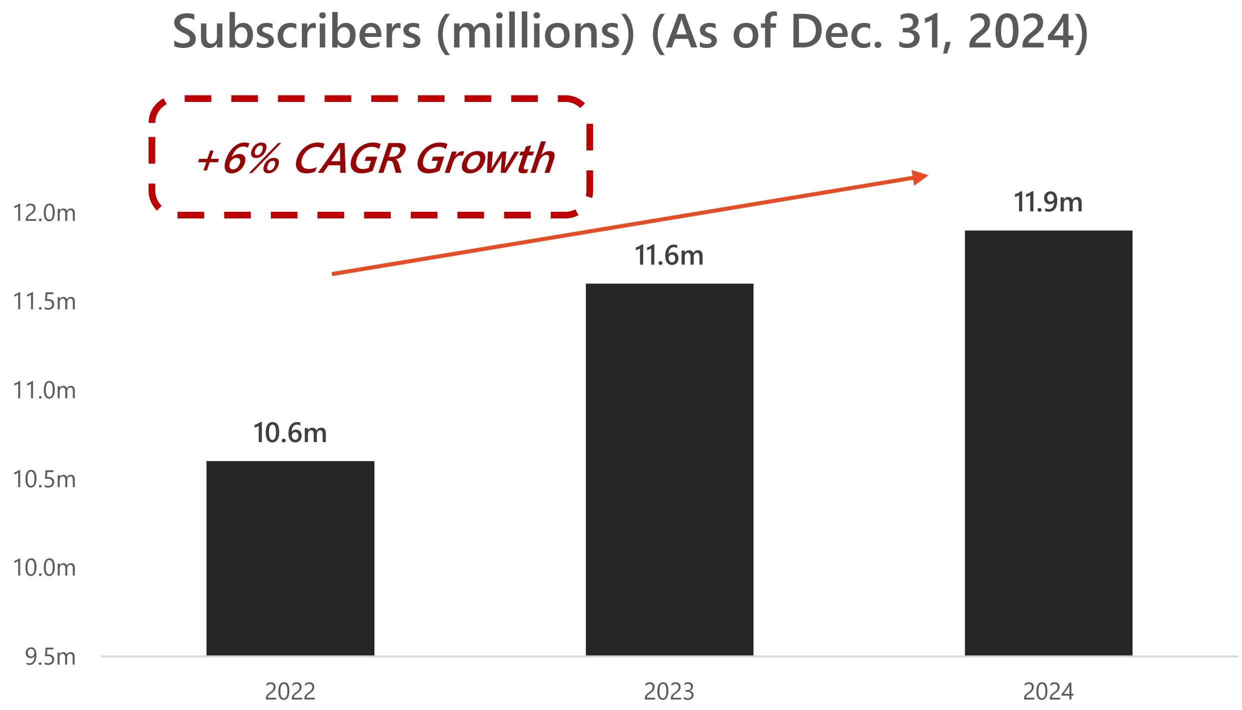
Rev growth at ~10% / yr

Margins are improving

Solid growth, but can it be sustained organically?

Largest wireless service provider in Canada

A Canadian leader in wireless network technologies and services



First 5G network in Canada

Only national network in owned by a single operator

Signed agreements to bring satellite-to-mobile phone coverage nationwide

On paper, Rogers looks like a promising leader in telecom

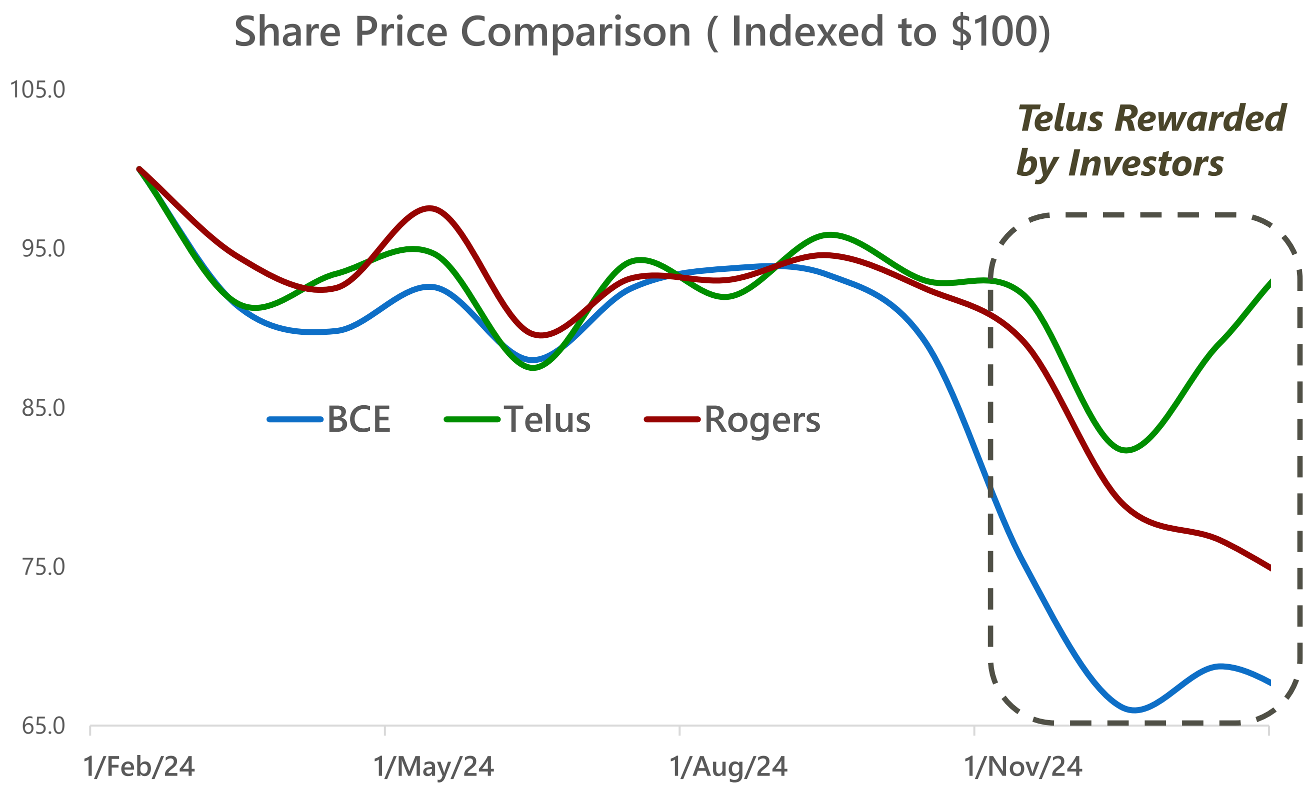
Rogers has fallen to Telus in the short-term

Telus takes the lead

Rogers is not the only poor performer

Telus is the short-term leader to its peers

BCE's poor earnings lost investor's trust



Rogers has fallen to Telus, but why is that?

Leverage is a large concern with Rogers'

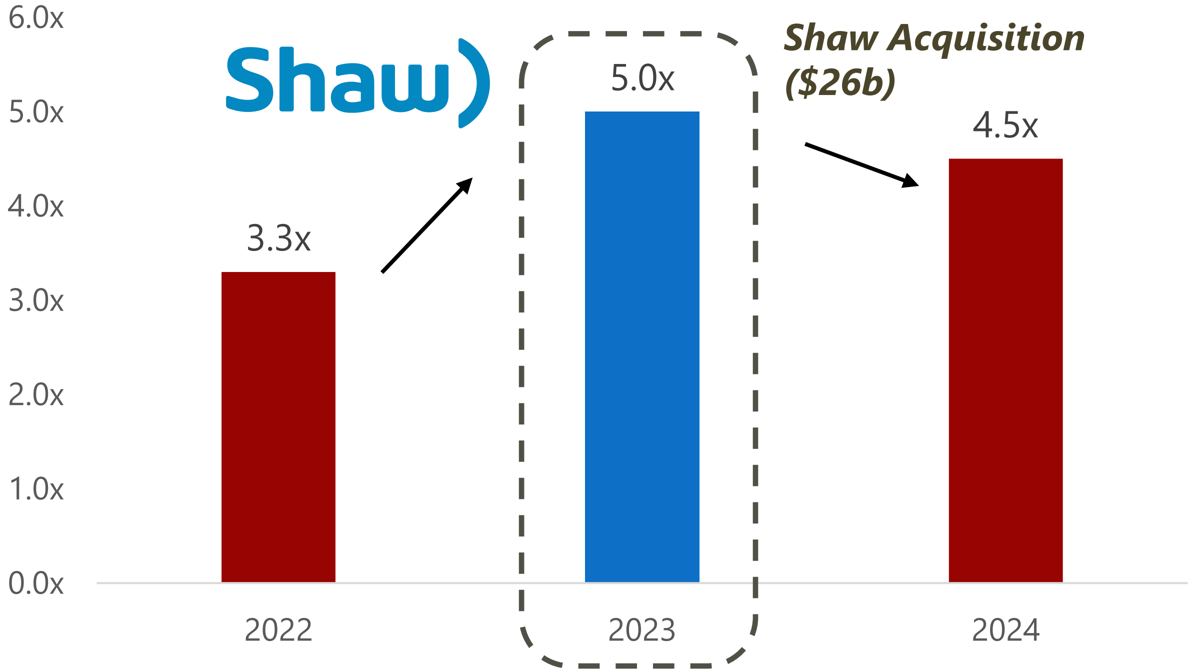
We believe Rogers' future is placed upon its deleveraging

4.5x Net Debt / EBITDA (2024)

Deleveraging is necessary

Reflected from CapEx spend for 5G and Shaw Acqsuition

Net Debt / EBITDA (2022-2024)



Rogers needs rapid deleveraging post '23's Shaw acquisition

Sports teams are an upside bet

Rogers owns the Toronto Blue Jays, and valuations are going up

New York Mets	MLB	$2.4b sale	2020
Denver Broncos	NFL	$4.7b sale	Aug 2022
Washington Commanders	NFL	$6.1b sale	July 2023

Rogers owns one of the largest MLB teams with significant upside

Comparables Criteria

With only 3 companies and varied growth, comparables are not a good estimate for Rogers

Criteria

✓ Size	✓ Industry
✓ Business Model	✓ Geography
✓ Scale	X Growth (BCE)

All three companies offer wireless, internet, and television

However…

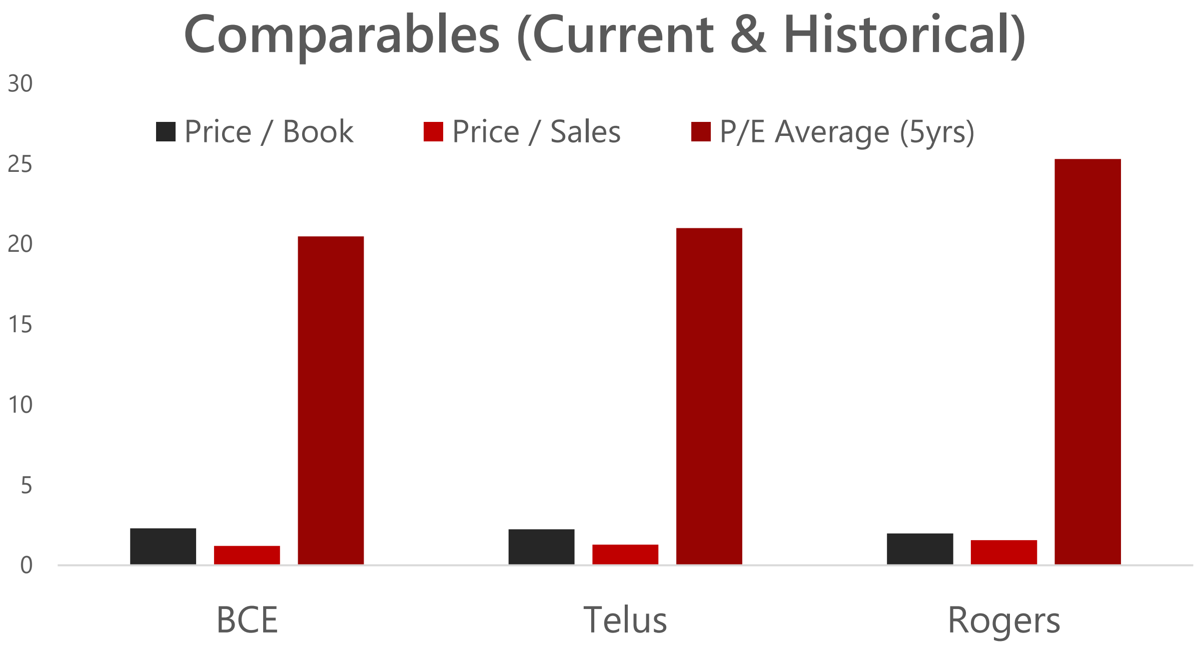
We do not normally recommend using only 2 peers for comparables analysis

With a low sample size and varied growth, we put less emphasis on comparables

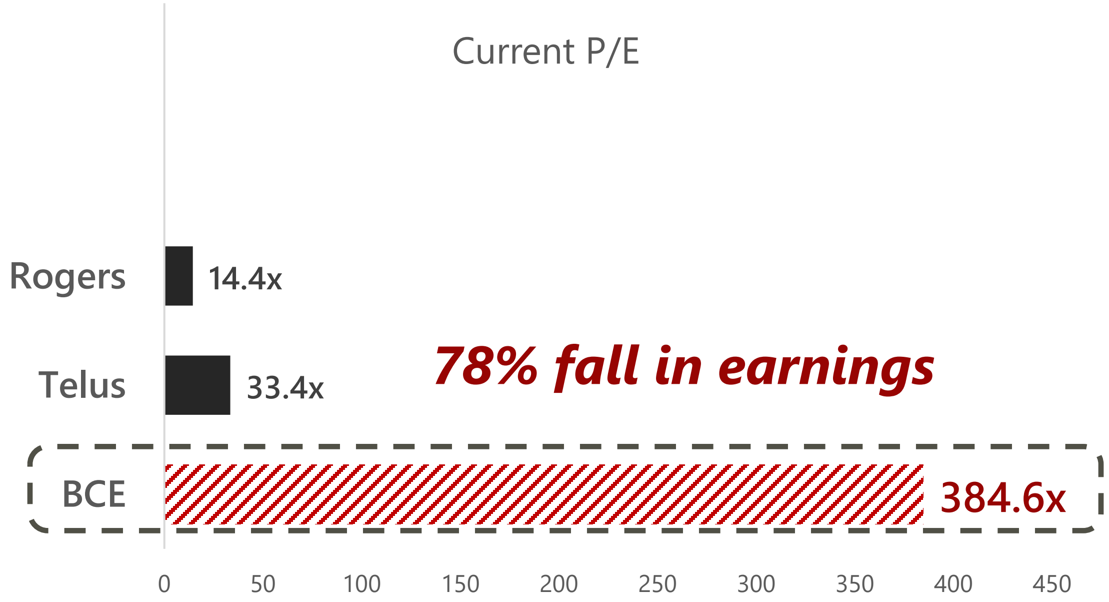
Comparables Overview

With 3 companies and varied growth, comparables are not a good estimate for Rogers

Companies trade similarly historically…



…but BCE is in trouble

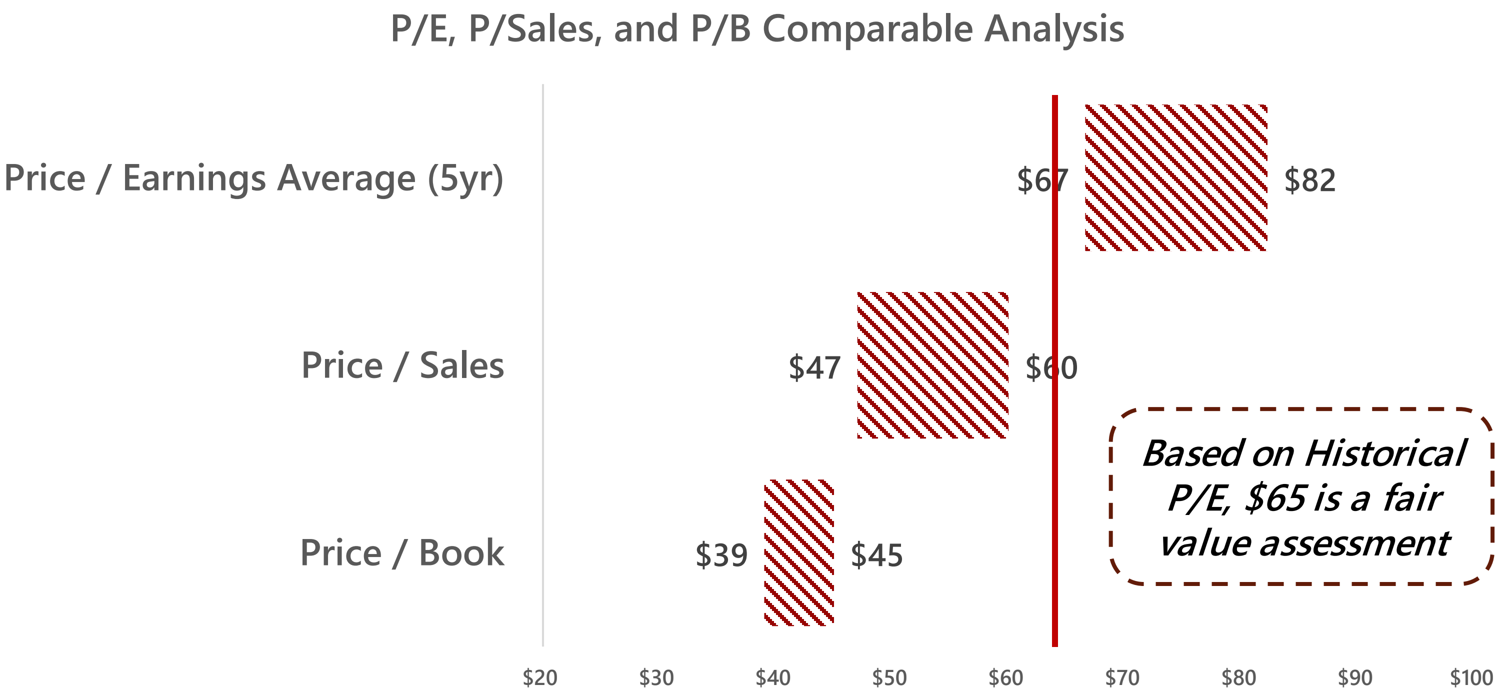


BCE's fall in earnings heavily skews current P/E to over 380x

Historical Multiple Overview

With 3 companies and varied growth, comparables are not a good estimate for Rogers

Common Shares Out.	533.5m
Q4 '25 EPS	$3.25/sh
Book Equity	$10.4b
$65 Target	40% Upside



Based on Historical P/E, $65 is a fair value assessment

Prior P/E Multiples tell us $65 is achievable with deleveraging and increased user growth

A $7b disaster, or a positive for investors?

Rogers is structuring a sale in its telecom infrastructure

Transaction Value | **$7 billion**

There's uncertainty around...

- **The capital structure of the deal**
- **The probability of deal close**
- **Credit Rating Agencies' reactions**

Classifying the transaction as debt would hurt credit rating significantly

BBB-
Current Rating

...and classifying as equity would allow to significantly de-lever the balance sheet

$7b

We believe this deal is a positive, if terms are met

Our recommendation for the potential divestiture

The deal is good if…

- Structured as an equity deal
- Rogers has the final say and decision
- Improves investor sentiment

Follow deal terms closely, and gain insight on deal structure before close

We believe this deal is a positive, if Rogers keeps the playbook

Credit Rating Impact

Fitch affirms BBB- with stable outlook

Rogers will take deleveraging actions

Monetize sports & media

Key-person risk & governance risk

The deal reflects current credit rating

Only key-person risk & governance that can impact credit rating

Constant-growth DDM Overview

Assuming no growth in dividends, their share price = $25

Constrained to geography & population

Stable dividends

Target g=1.8% - Canada GDP

Constant-Growth (g)	1.8%
Cost of Equity (Ke)	8%
Dividend 2025	= 2*(1+1.8%) = 2.04
Dividend 2025/(Ke – g)	Target $33.41

Constant-growth DDM model reflect a target Price of $33.41

Multi-stage DDM Overview

Due to the synergies from Rogers' acquisition of Shaw, we expect more dividends in the next 3 years

*2023 has 123.46% payout ratio -> abnormal year

Return on Equity (2024)	16.67%
Payout Ratio	63%*
(1-Payout Ratio)*ROE	Target 6% 2-year growth (g1)
Mature post-synergy (g2)	= Ke – Dividend yield = 5%
Long-term growth (g3)	1.8%

$$P_0 = \frac{D_0 * (1+g1)}{(1+r)^1} + \frac{D_0 * (1+g1)^2}{(1+r)^2} + \frac{D_0 * (1+g1)^2 * (1+g2)}{(1+r)^3}$$

$$+ \frac{D_0 * (1+g1)^2 * (1+g2)^2}{(1+r)^4} + \frac{P_4}{(1+r)^4}$$

$$P_4 = \frac{D_0 * (1+g1)^2 * (1+g2)^2 * (1+g3)}{(r-g3)}$$

Target $33.46

Multi-stage DDM Sensitivities

	33.46651187	Perpetual growth 1.6%	1.7%	1.8%	1.9%	2.0%
Payout Ratio	123%	32	33	33	34	34
	93%	32	33	33	34	34
	63%	33	33	33	34	34
	33%	33	33	34	34	35
	3%	33	33	34	34	35

	33.5	Perpetual growth 1.6%	1.7%	1.8%	1.9%	2.0%
Dividend Yield	3.8%	34	35	35	36	36
	3.6%	34	35	35	36	36
	3%	34	35	35	36	36
	3.2%	34	35	35	36	36
	3.0%	34	35	35	36	36

Payout Ratio & Dividend Yield have minimal impact on final target stock price

Our Recommendation on a 12 month horizon

The fund must re-assess in 12mo

1 2 3 4 5 6 7 8 9 10 11 12

- Assess Risk Profile
- Follow Divestiture Terms — 1-2mo
- Decide Capital Allocation
- Enter @ Market Price
- Follow Deal Close — 6-12mo
- Re-evaluate @ $50/share

Assess your risk, follow the terms, and re-evaluate once value is realized

Risks associated with your position

Risk	Mitigation
A **PE Deal fall through / classified as debt** Leverage will hurt Rogers to peers	**Monitor and assess deal terms**
B **Increased Competition from Peers** Telus and BCE may put downward pressure	**Monitor upside on Telus/BCE position**
C **Unsustainable payout ratio** BCE's recent dividend cut may be a trend	**Defensive portfolio allocation to Rogers**
D **Capex overruns on wireless infrastructure** Operational risk is an important factor	**Use intrinsic DCF valuation to forecast and sensitize Capex overruns**

Consider your risk and llocation to move forward with a long position

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