



## What You Need to Know About Rogers' Latest Earnings Report

### Description

It's that time of year again — spring has sprung, the snow is melting, and the Q1 reports are starting to emerge. The first of the telecoms to report this year is the nation's largest provider, **Rogers Communications** ([TSX: RCI.B](#))([NYSE:RCI](#)).

It was a mixed quarter and the second under new CEO Guy Lawrence, who has returned from a coast-to-coast fact-finding mission. The trip was meant to engage customers and find ways to grow the increasingly stagnant company. Revenues took a marginal decrease in the quarter coming in at \$3.020 billion compared to \$3.027 billion in Q1 2013.

The company's net income also took a small step back this quarter earning \$307 million (\$0.57 per share), as oppose to \$353 million (\$0.68 per share) in Q1 2013. Despite the results, Rogers increased its annual dividend by 5% bringing it to \$1.83 per share.

These results missed analyst's expectation by about \$0.04 per share on an adjusted basis and echoes the growing maturity of the telecom market.

Rogers Media saw an upturn during the quarter with revenues climbing 8% to \$367 million, however increased costs including the Next Issue app led the division into another operating loss. Rogers Cable saw its revenues fall flat earning \$860 million; gains in internet subscriptions were cancelled out by losses in home phone and 25,000 few cable subscribers.

### Game of phones

Wireless is still the largest segment of Rogers and like the rest of the company's divisions it saw a marginal drop in revenues of 2%, bringing in \$1.73 billion. The company has attributed the lost revenues to new contract term regulations imposed by the government, internal price reductions on voice features, and fewer customers switching carriers.

Only 2,000 new wireless subscribers joined the company during the quarter compared to 32,000 in Q1 2013. This could spell a new age of slow growth for Rogers Wireless. An analyst at JPMorgan predicts a quick turnaround for Rogers Wireless' woes to be "unlikely"

On a positive note, its monthly churn rate dropped from 1.22% to 1.20%. On a less positive note, the average monthly bill dropped by \$2.05 to \$57.31, though that should make customers a little happier.

### **Preparing for the NHL**

Even though the NHL playoffs are still underway and the Rogers age of hockey in Canada won't begin until October, the company has been busy laying the framework. The largest infrastructure cost to come since the deal with the NHL is the \$3.3 billion Rogers paid in the latest spectrum auction. This is a necessary investment for Rogers in order that it can meet the demand of its hockey-loving customers who will be more streaming the more available games on their mobile device.

### **Foolish bottom line**

With the less than favorable results now on the table, investors are eagerly awaiting to hear what are the five or six recommendations CEO Guy Lawrence will be presenting to the board, and what the rumored "Rogers One" will turn out to be. There is also talk about a strategy to reboot growth, and to integrate Rogers' media and telecom assets better. The stock rose \$0.01 following the results closing Monday at \$44.28.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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2. TSX:RCI.B (Rogers Communications Inc.)

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### **Author**

cameronconway

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