3 Key Takeaways From Rogers Communications' Q2 Earnings Report

Description

Late last week, Toronto-based **Rogers Communications** (TSX: RCI.B)(NYSE: RCI) released its second-quarter 2014 results. While earnings per share (EPS) was down 13% for the quarter and down 15% for the first half of the year, Rogers continues to show improvements in its core operations as it executes a new strategy.

What do investors need to know?

1. Rogers 3.0

In May, Rogers unveiled a new strategic plan focused on seven priorities, referred to as Rogers 3.0. The company has already begun to restructure and is trying to get the right organizational structure in place.

In its latest quarter, in addition to eliminating some mid-management positions, Rogers also reduced 15% of upper management. In all, the company spent $30 million in restructuring costs for the quarter with plans to continue streamlining until September.

2. Healthy wireless ARPU

While postpaid average revenue per unit (ARPU) declined 1.4% year-over-year to $66.40, its decline eased by 350 basis points compared to last quarter (a decline of 4.9%). This sequential improvement is driven by a restrained use of promo and pricing.

Excluding roaming revenue, second quarter postpaid ARPU was stable (no year-over year decline!) compared to a 2.6% (also ex-roaming revenue) decline in the previous quarter.

As unlimited Canada-wide voice plans continue to cannibalize voice and feature (caller id, voicemail, etc.) revenue streams, investors may expect continued ARPU pressure in the near-term. This should be offset by an increase in data usage as customers migrate to higher data buckets.

3. Continued improvement in wireless churn

In combination with a restrained promo and pricing policy, Rogers was able to improve postpaid wireless churn by four basis points, from 1.17% a year ago to 1.13% this quarter. While this is still significantly above **Telus's** (TSX: T)(NYSE: TU) Q1 postpaid subscriber churn of 0.99% (that's amazing), Rogers' management continues to have room to improve.

Ultimately, investors are seeing CEO Guy Laurence's transformation begin to take shape. As management continues to restructure into September, there are significant signs, in ARPU and churn numbers, that the business is being positioned for the future.

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Date
2025/08/28
Date Created
2014/07/28
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