Are Serious Cracks Starting to Emerge at Rogers Communications Inc.?

Description

It has been about a year now since **Rogers Communications Inc.** (TSX: RCI.B)(NYSE: RCI) appointed Guy Laurence to the top spot and began an internal campaign to restructure the company.

During this time, the NHL has begun its 12-year marriage to Rogers, the SHOWMI streaming service was released, and yet Canadians continued to forgo traditional cable services. So, all in all, a mixed bag of stories and financials. In bad times, companies tend to keep its proverbial head down and try to repair the damages. However, this no longer seems to be the status quo for Rogers, especially since its change in leadership last year. So should investors continue to stand by Canada's largest telecom or are these recent financials and outburst enough to make you sell?

Crybaby antics?

Recently, Laurence has taken some potshots at his competitors that have left people scratching their heads wondering what could be happening behind the scenes at Rogers that would boil over publicly this way. Last month, Laurence took a shot at **Telus** in front of the CRTC, saying, "I think it was good to hear that Telus doesn't know how to run a network."

This was followed up last week when he said, "With respect to cry baby Bell, what can I say?" This comes on the heels of **BCE Inc.**'s (TSX: BCE)(NYSE: BCE) complaints that its customers are being shortchanged over an app called GamePlus, which allows users to pick and choose which camera angles they watch a hockey game with on their mobile devices, insinuating to the CRTC that "Rogers is violating the CRTC's vertical integration rules and acting anti-competitively."

Bad numbers

Let's get to the numbers that are getting everyone worked up behind the scenes at Rogers. Revenues in the quarter came in at $3.25 billion, up from $3.22 billion in Q3 2013, an average increase compared to its competitors and on track with analysts' projections. But here is where things fall apart: Net income fell by 28% in the quarter to $332 million ($0.64 per share) from $464 million ($0.90 per share).

Free cash flow fell in the quarter to $370 million from $506 million, a stark contrast to competitor **Shaw Communications**

, whose its free cash flow almost doubled in the past quarter.

These losses are fueled by another quarter of lackluster subscription gains, with only 17,000 post-paid subscriptions added compared to 64,000 last year while its cable division lost 30,000 net subscriptions, up from the 39,000 net subscriptions it lost in Q3 2013. In terms of hard dollars, Rogers Cable earned $864 million in revenues down from $873 million.

This poor quarter has had nominal effect on the stock in the short term, but one-year price targets have been trimmed to an average of $44.50. Rogers closed Friday at $43.22 and has a 52-week range of $40.80 to $48.64.

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