



## 1 Thing Rogers Communications Inc. Is Doing Right

### Description

There's no doubt about it. **Rogers Communications Inc.'s** ([TSX:RCI.B](#))([NYSE:RCI](#)) first-quarter results were less than stellar. While revenue growth accelerated, earnings missed estimates. However, one reason why Rogers' profits were weak was because the company reinvested a lot of money into its brand. Those investments, however, are expected to pay off down the road and lead to better long-term profitability for the company.

### Getting out ahead of the curve

In the company's earnings release, Rogers noted that it invested heavily to retain wireless customers ahead of the final expiration of three-year contracts this summer. This resulted in higher costs as the company had an increase in the volume of subsidized smartphones because it proactively targeted early upgrading of its customers. These investments resulted in a 3% year-over-year decrease in the company's wireless segment operating profit.

That short-term hit to profits, however, should lead to stronger profitability down the road. The company noted that it activated 700,000 wireless smartphones in the quarter, and now high-value smartphones represent 83% of the company's subscriber base. These users generate more revenue for the company, which should lead to better profit margins in the years ahead.

### Investing in the brand

The other investment the company recently made that impacted quarterly results was in its media segment and related to its NHL deal. The company noted in its earnings release that its media segment lost 33% more money during the first quarter than it did last year due to the "timing of programming and production costs, a large portion of which are seasonal in nature and related to hockey." However, those investments in hockey should boost its media segment for years to come.

The hockey deal should keep viewers glued to the company's Sportsnet stations as well as its other media properties, like radio and print, due to all of the exclusive hockey content it can create in Canada. As long as Rogers delivers a compelling experience for fans, the agreement should really help to build the company's brand in Canada.

Hockey isn't the only investments that Rogers has made in sports programming in the past few years. Rogers has also invested in the company's baseball team, the Toronto Blue Jays, the only baseball team in Canada. This investment has brought in some star players, which the company and fans hope can bring winning baseball north of the border. If the club can win, or at least play entertaining baseball, then it will help to build the Rogers brand in Canada.

### **Investor takeaway**

Rogers' profits might have been weaker than investors wanted to see, but that weakness isn't expected to last. That's because the company is making investments that it believes will drive a better experience for its customers. The hope is that those investments pay off over the long term to build Rogers' brand as being the brand for wireless and media in Canada, which will lead to continued subscriber growth and more eyeballs tuning into its media products, as well as higher profits for investors.

### **CATEGORY**

1. Investing
2. Tech Stocks

### **TICKERS GLOBAL**

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

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