Does Rogers Communications Inc. Belong in Your Portfolio?

## Description

**Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) is the rock star of the telecom space right now, and investors are wondering if the rally can continue.



Let's take a look at the current situation to see if Rogers deserves to go in your portfolio.

**Media success**

Rogers owns the Toronto Blue Jays as well as the Rogers Centre where the Jays play.

The team's strong performance in the second half of the season rekindled Canada's passion for country's top baseball club, and fans turned up in waves to support the run to the post season.

This translated into extra revenue from tickets, parking, concessions, and merchandise. Rogers also saw gains in its viewership numbers on both its Sportsnet TV channel and the company's related Internet portals.

As a result, operating revenue from the media division jumped 8% compared with Q3 2014, coming in at $473 million. Adjusted operation profit was $58 million, compared with $23 million last year.

Despite the fantastic results, the media group accounted for less than 14% of overall operating revenue and less than 5% of the company's adjusted Q3 operating profit, so investors have to be careful chasing the rally here.

**Wireless results**

The wireless division is still the bread and butter of the organization. Operating revenue in Q3 rose 5% to $1.97 billion compared with the same period last year, but adjusted operating profit fell 1%.

The company continues to see strong device sales, which rose by 33%, but operating expenses in the wireless group jumped 10%, essentially wiping out any gains.

Rogers has been working hard to improve its customer service levels. The postpaid mobile churn rate for Q3 was 1.31%, the same as a year ago. The loss percentage is still higher than its peers.

**Cable results**

Operating revenue in the cable division was $871 million, essentially flat compared with Q3 2014. Service revenue from Internet subscribers jumped 11% to $344 million, but losses on both the TV and phone side cancelled out those gains.

**Dividends**

Rogers pays a quarterly dividend of $0.48 per share that yields 3.6%. The company generated free cash flow of $660 million in Q3 and only paid out $247 million in dividends, so there is ample room for further increases to the payout.

**Should you buy?**

Rogers is making good progress on its efforts to turn around the cable and wireless divisions, but there is still work to be done.

The stock is up 15% in the past month on the back of the Blue Jays euphoria, so new investors might want to sit on the sidelines for a bit and wait for a better entry point. Rogers is a solid long-term hold, the rally just looks a bit overstretched.



**CATEGORY**

1. Investing

**TICKERS GLOBAL**

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

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