Here's What Rogers Communications Inc. Investors Have to Look Forward to in 2016

Description

Overall, 2015 was a pretty good year for investors in **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI), which handily beat the market. That trend is poised to continue in 2016 because many of the investments the company made last year should continue paying dividends. Here's what investors have to look forward to over the next year.

Rogers 3.0 should continue to pay dividends

The company is in the middle of a multi-year plan dubbed Rogers 3.0, which is intended to re-accelerate revenue growth in a sustainable way, while also continuing Rogers's track record of improving its cash flow. Last year the plan led to strong cash flow growth and a solid single-digit increase in its revenue and adjusted operating profit.

In 2016 the company plans to move forward with two big Rogers 3.0 initiatives.

The first one is the expansion of Rogers IGNITE Gigabit Internet, which delivers Internet speeds that are five times faster than the competition. As of the end of the third quarter the company had covered 3.4 million homes with the service and plans to cover its entire footprint by the end of 2016, which should drive Internet sales.

In addition, the company recently launched 4K TV, which has four times the pixels of standard HDTV. In 2016 Rogers is planning the world's largest commitment to live sports broadcasting in 4K. The company expects to broadcast over 100 live sporting events in 4K, including every Blue Jays home game and over 20 marquee NHL games. This is expected to drive even more subscribers to its cable offerings.

Sports should continue to score with fans

Speaking of sports, last year the company's NHL licensing deal and its baseball club drove strong performance in its media segment.

Through the first nine months of the year Rogers's media-division revenue was up 18%, while its adjusted operating profit surged 119% due to higher revenue from the Blue Jays as well as higher subscription and advertising revenue by its Sportsnet properties, which was due to its NHL deal and the success of the Blue Jays. Both are poised to continue to deliver big wins for the company's media segment in 2016.

Wireless profitability should improve

Through the first three quarters of last year Rogers's wireless segment revenue increased 5% due to solid subscriber growth and higher average revenue per user. However, adjusted operating profit fell by 1% after equipment costs surged.

That surge had to do with Rogers investing to proactively upgrade its customers to newer devices ahead of an industry shift from three-year to two-year wireless contracts. With that customer-retention-investment period now behind it, Rogers is poised to capture more value from its customers, which are now on higher-value plans such as its Share Everything plan.

In addition, the company acquired Mobilicity in July of last year, which not only boosted its customer base, but added key spectrum licenses. That deal enabled the company to trade some non-contiguous spectrum licenses in exchange for contiguous licenses it already owned. This will enable Rogers to offer better service to its customers, which would also appeal to customers of its rivals, tempting them to make the switch.

Investor takeaway

Rogers continues to invest in its product offerings in order to create better customer experiences. Those investments should continue to pay off in 2016, driving solid revenue and profit growth in the company's wireless, media, and cable offerings. Those higher sales and profits will enable the company to keep growing its dividend, which should lead to continued outperformance.

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