Will Rogers Communications Inc. Connect With Investors This Quarter?

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) enjoyed a lot of success in 2015. That's largely due to the growth from three main drivers–the NHL, the Blue Jays, and its wireless division–which helped deliver revenue and earnings growth in each of the first three quarters.

As such, each driver will be front and centre when the company reports its fourth-quarter results later this week. Investors are hoping that each of these drivers continued to deliver for the company.

Dialing up wireless profit growth

Through the first nine months of 2015, revenue from Rogers's wireless division was up 5% largely due to subscriber growth. Unfortunately, its profitability hasn't followed suit. The wireless segment's adjusted operating profit was actually down 1% versus last year's total. That profitability trend is something investors will want to see reversed in the fourth quarter.

The main culprit holding back profit growth was Rogers's strategic investments geared to retain and grow its subscriber base by subsidizing smartphones. Because of a greater-than-usual number of subscriber contract expirations this year, Rogers needed to invest heavily to retain its own customers while attracting new customers via heavily subsidized smartphones.

This resulted in a 29% year-over-year increase in equipment costs. However, with this heavy investment phase largely in the past, Rogers should begin to reap the rewards by moving these customers to higher-value plans such as the company's Share Everything plan, which would be evident by bottom-line growth in the wireless segment.

Hoping for another big score in the media segment

One of the biggest highlights in 2015 has been Rogers's media division, which has benefited from the company's NHL licensing deal as well as renewed enthusiasm in the company's baseball team. Both need to keep their winning streaks alive in the fourth quarter.

In last year's fourth quarter, the NHL deal delivered a $100 million boost to that segment's top line and, despite some incremental costs from that agreement that pushed operating expenses up 15%, that segment's profitability rose 15%. That's a trend investors want to see continued in the fourth quarter.

In addition to that, the Blue Jays were in the midst of their first playoff run in more than 20 years at the beginning of the fourth quarter. In fact, because of that run the company's Sportsnet properties delivered their best month ever in October.

Overall, 19.6 million Canadians watched some of the Blue Jays's post-season broadcasts on Sportsnet, which led to a 122% year-over-year increase in the company's viewership metrics. This was an unexpected boost for the company, and it should deliver a positive impact on Rogers's media segment this quarter.

Investor takeaway

Investors want Rogers to deliver on a couple of things this quarter. They want the company to convert wireless subscriber growth into bottom-line growth. Likewise, they want to see the company's NHL agreement continue to deliver a big win for its media segment. Finally, they want to see that the company was able to cash in on the Blue Jays's success by turning the team's post-season run into a huge score for the media division's profitability.

If Rogers can deliver on all three, investors should be very happy this quarter.

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