What New Leadership at Rogers Communications Inc. Means

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) has started out earnings week with a bang. President and CEO Guy Laurence announced he will be stepping down effective immediately, with Joe Natale, the former CEO of **Telus Corporation** taking over once he is able to.

Natale left Telus last summer, citing his preference to remain in Toronto rather than move to Telus's main location in Vancouver. Rogers, on the other hand, is based out of Toronto.

A new CEO for a new Rogers?

Natale is still ineligible to work for Rogers because of a non-compete agreement stemming from his time at Telus. Until that period is of time is over, the chairman of the board, Alan Horn, will be the acting CEO of Rogers.

On an investor call this week, the abrupt exit of Laurence and the hiring of Natale were clarified by Horn as being more about taking the opportunity to get Natale, while he is still available, as opposed to removing Laurence.

Laurence was at the helm of the company for just under three years, but he managed to guide Rogers to improved results over a relatively short time. Rogers is still in the midst of a transformation, dubbed Rogers 3.0, with the company undergoing changes across different business units, such as the winding down of the Shomi streaming service, and changes to the publishing schedule of a number of magazines, which makes the corporate shake-up that much more worrisome for investors.

Results come early for Rogers

Rogers provided a second surprise by releasing quarterly results a full three days earlier than planned. In most recent quarter, both total revenue and adjusted operating profit were up by 3% when compared with the same quarter last year, coming in at $3.492 billion and $1.385 billion.

In the wireless segment, service revenue in the period was up by 6% with postpaid net additions of 114,000, which is an increase of 37,000 year over year. Analysts had been calling for just 69,000 new increases for the quarter. Postpaid churn in the segment showed the fourth consecutive year-over year improvement with a drop by five basis points.

In the cable segment, the company posted the highest cable service unit net additions in five years. Internet revenue also grew in the quarter with net additions of 39,000–up by an impressive 15,000 year over year.

Rogers's media segment showed improvement in the quarter with media revenue up by 13% and adjusted operating profit up by 36%. Both of these were driven primarily by growth and success of both the Toronto Blue Jays season and the World Cup of Hockey this past September.

Despite the strong growth in subscribers, profit for the quarter slipped 53% to $220 million. This drop can largely be attributed to the decision to shut down the Shomi video streaming service.

What do these results and the change in leadership mean for investors?

For the moment, they mean nothing. A change in leadership, especially while in the midst of a transformation, is risky, but Natale is more than qualified for the position. From a results standpoint, Rogers looks set to continue the trend of steady improvement that's been established for several quarters now.

In my opinion, Rogers is a great investment for those investors looking to diversify into the telecom field for the long term. Rogers not only provides long-term growth potential, but a quarterly dividend with a 3.54% yield.

CATEGORY

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dafxentiou