



## The Better Investment: Rogers Communications Inc. or Shaw Communications Inc.?

### Description

When it comes to comparing telecoms in Canada, **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) and **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) are two of the largest, yet strangely similar companies investors can choose from to power their portfolio's growth.

Both companies offer core subscription services of internet, TV, and phone with a footprint that, for the most part, extends across the country, but which one of these two is better suited for your portfolio? Let's take a look at both.

### The case for Rogers

Rogers is the larger of the two companies with a sprawling telecom and media empire. Rogers's core subscription services provide wired and wireless phone, internet, and TV services with nationwide coverage.

In terms of performance, in the most recent quarter Rogers reported total revenue of \$3,510 million, a 2% increase over the same quarter last year. Rogers posted a net loss of \$9 million, or \$0.02 per share for the quarter, in comparison to net income of \$299 million, or \$0.58 per share, for the same quarter last year.

Much of that loss was attributed to a \$484 million charge in relation to Rogers discontinuing an IPTV product. Over the course of the full fiscal year, Rogers still managed to post net income of \$835 million, or earnings of \$1.62 per share. A replacement product for Rogers's discontinued IPTV product is due in early 2018.

The wireless segment continued to showcase strong growth in the most recent quarter. The company registered 6% growth and operating profit increases of 3%. Postpaid additions of 93,000 were recorded — up 62,000 year over year.

Rogers offers investors a quarterly dividend of \$0.48 per share, which earns a respectable yield of 3.30% at the current price. Investors considering Rogers will also take solace in the fact that the

company stock as appreciated by over 12% year-to-date and by over 50% in the past five years.

Rogers currently trades at just over \$58 with a P/E of 36.08.

### **The case for Shaw**

Unlike Rogers, Shaw lacks a nationwide wireless solution, but that is likely to change soon thanks to the acquisition and subsequent rebranding of Wind Mobile as Freedom mobile. Shaw intends to expand Freedom Mobile into a full national competitor to Rogers and has identified that mobile sector as a huge future growth vehicle. Shaw even sold off its media arm to help pay for the Wind acquisition; in doing so it became a pure-play connectivity provider.

This is a massive opportunity for Shaw to enter the market as both a new entrant and as a true alternative to the legacy carriers. Coincidentally, Rogers and the other telecom players in Canada have developed a less than optimal reputation with customers over the years, earning the trio the combined name “Robelus.”

Wind, however, always had a reputation for being different from the “big carriers” and made wildly popular moves, such as foregoing contracts and letting consumers buy phones outright. Wind had the right pricing and business practice to lure customers away from the other carriers, and Shaw plans to use that same model once the company expands and upgrades the Freedom Mobile network.

In the most recent quarter, Shaw posted revenues of \$1,313 million, an impressive 14.9% increase over the same quarter last year. In terms of earnings, Shaw reported net income of \$89 million, or \$0.18 per share, which is down significantly over the \$218 million, or \$0.43 per share, posted in the same quarter last year. This figure is reflective of both a non-recurring provision of \$107 million used for winding down the Shomi streaming service, as well as a decrease of \$80 million attributed to the sale of the media division in the previous quarter.

In terms of a dividend, Shaw offers an appetizing monthly dividend of \$0.09875 per share, which, provides investors with an incredible 4.27% yield at the current stock price of just below \$28 and a P/E of 33.87.

### **Which is the better investment?**

Both companies are in the midst of a growth transformation and will benefit from those investments in the years to come. However, at this point, the opportunity that Shaw has moving forward over the long term, along with the better dividend, makes it the winner.

### **CATEGORY**

1. Investing

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2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:SJR.B (Shaw Communications)

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