Can Rogers Communications Inc.'s Impressive Streak Continue?

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) is expected to report its second-quarter earnings on July 20 before the market opens. Zacks Investment Research believes that Rogers is likely to beat analyst expectations for the quarter and responded by upgrading shares of Rogers a few days leading up to Rogers's big day. Rogers is riding huge momentum when it comes to wireless subscriber growth thanks to the company's top-notch promotions, which Canadians have been flocking to.

Although it's likely that Rogers is going to deliver solid second-quarter results, I would never recommend buying shares of a company right before it's set to report its earnings. Although Zacks has a fairly accurate model of sensing earnings surprises, to load up on a position right before earnings is a risky proposition, even if the industry is considered safe, like telecoms. You could realize a short-term loss, and you'd be more likely to dispose of your position following unexpected negative statements following an earnings report.

For prudent investors, it would be a wiser move to buy half a position before the earnings report and half a position after. Just in case earnings surprised on the negative side, you can lower your cost basis by getting your second half of shares at a better price. If earnings do surprise, then you can either buy the second half after the rally or just be content with your quick gains and wait for another pullback before buying the second half of your position.

Fierce competition in the Canadian telecom scene ahead

The Canadian telecom industry is about to experience a shakeup as Freedom Mobile, owned by **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR), continues to upgrade its network with the intention of keeping its prices low. I believe Freedom Mobile is a real threat to the Big Three incumbents, but I do not see Freedom Mobile causing havoc in the space just yet, since Shaw really hasn't invested a great deal in its marketing campaign.

The threat of Freedom Mobile is coming, and it's likely to cause long-term pressure on all the Canadian telecoms, but I believe Rogers is one the best-equipped companies to weather the storm once Shaw starts spending big money on marketing to steal subscribers from its competitors.

Can competitors outdo Rogers when it comes to promotions?

Rogers's "Share Everything" plan has received rave reviews from many Canadians. Many Canadians are attracted to Rogers's promotions, and who can resist free months of Spotify Premium, Texture by Next Issue, or Rogers GameCentre LIVE?

Hats off to the marketing team at Rogers for the impressive streak of subscriber growth. I believe more of the same can be expected over the next few quarters, but keep in mind, wireless subscriber growth and retention is going to become a lot harder in the coming years. I believe Freedom Mobile is going to cause pricing pressure, and competition in the Canadian telecom scene is going to pick up like we've never seen before.

Rogers is a great medium-term buy for any investor looking to grab a solid, growing dividend which currently yields 3.05%.

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