Rogers Communications Inc. Posts Strong Q2 Earnings

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) posted its Q2 earnings — the first with its new CEO and former **Telus** boss Joe Natale — on Thursday. Earnings saw year-over-year revenues increase by 5%, while net income was up 35% to $531 million compared to $394 million a year ago. However, net income was favourably impacted as a result of real estate assets that were sold for proceeds of $74 million. Analysts were expecting earnings per share of $.93, and Rogers easily cleared that with earnings hitting $1 per share.

The company's wireless segment has seen its revenues grow by over 8% to reach $2 billion for the quarter, while profits were up 9% and netted $924 million. The wireless segment was responsible for over 65% of the company's total adjusted operating profit compared to under 63% a year ago. Rogers accomplished its lowest churn in wireless postpaid customers since 2009 with just 1.05% of customers lost for the quarter. Rogers added 93,000 new postpaid customers — 28,000 more than a year ago.

Cable television subscribers continued to drop; 6,000 more subscribers left this quarter over the previous year. As a result, television revenues are down 4% for the quarter and 5% for the year so far. The company faults the CRTC in hurting the company's bottom line, saying it cost the cable segment another 3% in operating profit due to the policies the CRTC put in place to reduce access service rates.

Internet services saw revenues grow by 7% to $402 million and added 11,000 subscribers, which is down from 12,000 a year ago. Similar to cable, the company says revenue growth here could have also hit 10% had it not have been for the CRTC's decision.

The home phone segment saw revenues decline by 9% from $99 million last year to just $90 million for this quarter. There were 2,000 subscribers added in this segment, down from 5,000 that were added a year ago.

Overall, the cable television, phone, and internet segments saw profits of $428 million — up 3% year over year. Revenue for these segments was flat at $870 million this quarter.

The business solutions segment saw revenues in its legacy services drop by 12%, with its next-generation products only up 1%. The company expects legacy services to continue to drop as it tries to move customers away to more cost-effective options. Overall, service revenue came in at $96 million, down from $97 million a year ago. Operating profits for the segment, however, were up 3%.

The company's media's segment saw revenues climb 4% to $637 million for the quarter mainly due to sports assets such as Sportsnet. However, operating profits were down 30% from $90 million last year to just $63 million for this quarter. Rogers claims this is a result of an increased payroll for the Toronto Blue Jays, higher programming costs, in addition to other cost increases.

Cash flow from operations was $823 million for the quarter, which is down over 26%. However, free cash flow was up by 26% for a total of $626 million.

Rogers continues to grow its subscribers and revenues and shows no signs of slowing down. The one wrench in its plans continues to be the CRTC, although this is a factor for all the major telecom businesses.

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