Shaw Communications Inc. vs. Rogers Communications Inc.: Which Stock Offers Better Value Right Now?

Description

Over 150,000 Canadians cancelled their television subscriptions in 2015. Canadian providers like **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) and **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) have attempted to overcome this development by raising rates on their customer base and making a commitment to a technological transformation.

The rise of online television providers, like **Netflix, Inc.**, Primus, ViaNet TV, and others have necessitated the evolution of legacy cable companies.

Both Shaw and Rogers are taking steps to shore up their disadvantages and make an appeal to consumers who are now being offered a plethora of revolutionary services, often at a reduced cost.

Shaw Communications

Shaw recently reported that it had gained 13,000 customers in three months leading up to May 31, 2017. This was the first time since 2010 that it had experienced a net increase. Shaw gave much of the credit to its new product BlueSky TV, which was launched in January. A surge in internet sales has also helped the company win customers and aid with retention.

The transformation has not come without a cost. Operating income fell in 0.5% to $550 million. Profit experienced an 81% decline, even with a 2.8% increase in revenue. These changes illustrate the rising costs faced by legacy cable providers in competition with new tech.

Shaw's share price suffered after the release of these results in late June, and up until now it has dropped almost 8% month over month to settle at $27.80 as of Friday's close. Still, the stock has gained 3% in 2017, and rising costs for the transformation have had a substantive impact in improving the consumer base.

Rogers Communications

Rogers's stock price surged over 5% in a week on the back of news that it had added 93,000 wireless subscribers in the three months ending June 30, beating analyst estimates by over 15,000. It lost 25,000 television subscribers and won 11,000 for its internet service.

The company has plans to introduce Comcast’s X1 platform in 2018 — a strategy it shares with Shaw after both providers abandoned their IPTV platforms to compete with **BCE Inc.**

The share price has experienced a 27% increase over the course of 2017. It closed at $65.89 on Friday — up 1.56%, nearing its all-time high of $65.91.

Where should investors turn?

The challenges faced by the cable industry are not going to dissipate any time soon. Providers are being forced to make large technological transformations. Demographics are driving consumers away from traditional television subscriptions, and toward exclusively wireless and online providers.

Shaw stock offers a dividend of $0.10 per share, with a 4.26% yield. Its digital push has shown early success, but results demonstrated that transformation expenses have eaten into profits. Rogers boasts a dividend of $0.48 per share and a dividend yield of 2.91%.

Investors seeking income and a robust performer should look to Rogers as a solid add to any portfolio. However, those in the market for gamble can look at Shaw, which may be a bargain after negative results overshadowed what are some very positive developments for the company.

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