Rogers Communications Inc. Posts Another Impressive Result With a Strong Q3

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) released its third-quarter results today. The company had a 3% rise in sales along with adjusted earnings per share of $1.02, which was up 23% from last year. The company's churn rate of 1.16% was the third best that Rogers achieved in eight years, but it was slightly up from the record 1.05% that it saw last quarter.

default watermark

Let's have a closer look behind the numbers to see what drove the impressive results for the telecom giant.

Strong growth in its wireless segment

With 129,000 net additions to its wireless postpaid segment, Rogers saw the largest increase to this segment in eight years. With more subscribers and higher-rate plans, the company was able to grow its wireless sales by 5%.

Other segments

The company continues to see higher net losses among its television subscribers with a net loss of 18,000 this quarter, up from 14,000 a year ago. The internet segment saw a net addition of 27,000 customers, and that is 12,000 less than it added a year ago. Net additions in the phone segment were also just 1,000 compared with 5,000 in 2016.

Rogers blames the impact of the CRTC's decision to reduce access service rates for its poorly performing cable revenue and claims that cable sales would have been up 2% had it not been for this decision.

Decrease in free cash

Rogers saw its free cash flow drop 10%, despite an increase in cash from operations of 16%, as the company spent 20% more this quarter on capital spending, while also seeing more non-cash operating changes.

Net income up 112% due to non-operating results

It may seem impressive at first glance that Rogers was able to double its profits, but the main reason for that increase was that the prior year had $200 million more in other expenses that included losses from investments and winding down shomi. The company’s adjusted net income of $523 million was a more modest, but still impressive, 22% increase.

Increased guidance

The company increased its guidance for 2017 and now expects its operating profit to grow 6%, rather than the 5% that was projected earlier in the year. However, that excess is going to pay for capital spending, which was also saw an increase in its revised total for the year. The net effect will mean that free cash flow still stays within the 2-4% growth that the company expects to see.

What this means for investors

Investors should take note of the company’s struggle to grow its top line in segments outside of wireless. The improved operating results are mainly attributed to the wireless segment, with cable seeing just a 2% increase in adjusted operating profit. This could be a concern as industry gets more competitive, notably with **Shaw Communications Inc.** recently getting into the wireless space; it is sure to steal some of Rogers’s customers over time.

default watermark

Is the stock a buy?

At a multiple of over 30 times its earnings, it is difficult to justify investing in Rogers without seeing stronger growth. **BCE Inc.** (TSX:BCE)(NYSE:BCE) is comparable in the industry with a bigger market cap, yet its stock trades at less than 19 times earnings. There are better buys in the industry that have stronger growth and pay more in dividends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/18
Date Created
2017/10/19
Author
djagielski

default watermark

default watermark