Why You Should Reconsider Rogers Communications Inc.

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) is one of the largest telecoms in the country. It reported results for the third fiscal quarter this past week, and the company surpassed analysts' expectations.

Q3 by the numbers

Rogers reported total revenue of $3.58 billion, edging past the $3.49 billion reported in the same quarter last year. Broken down by segment, the wireless division provided $2.1 billion in revenue, while cable contributed $870 million, and the media segment added another $516 million.

Adjusted profit for the quarter came in at $523 million, or $1.02 per share, representing an impressive 22% increase over the same quarter last year.

The wireless segment is often looked at as the primary driver of revenue for the company, and this quarter that was no exception. Rogers saw an incredible 129,000 net additions to the post-paid wireless business in the quarter, which was an eight-year high that beat analysts' expectations.

Overall, the wireless division realized a 7% jump in service revenue and a 9% increase in operating profit.

Rogers CEO Joe Natale noted that investments in Rogers's wireless network are key to staying ahead of the competition, as consumers use, on average, 40-50% more data with each passing year.

The cable segment failed to realize significant growth in the quarter, but the segment is set to flourish over the next few quarters, as Rogers begins to roll out a new highly anticipated IPTV product based on the X1 Platform from Comcast.

Rogers's competitors already offer a compelling IPTV product, which is likely to blame for some of the stagnant growth the segment has seen recently. The X1 is set to begin trials next month to a limited audience, with a wider roll-out expected in the first quarter next year. The transition to the X1 platform also means that Rogers will begin to steadily sunset its existing legacy TV product over the next two years.

Overall, the cable segment saw a drop of 18,000 TV subscribers, which was largely offset by a gain of 27,000 internet subscribers, resulting in an increase in the division’s revenue by 1% and operating profit from the division by 2%.

Why should you invest in Rogers?

Telecoms make great investments, and Rogers is no exception to this rule. Year to date, the stock has performed admirably, surging nearly 30%. Rogers also provides investors with a quarterly dividend that currently amounts to $0.48 per share, translating into a 2.87% yield. While that yield pales in comparison to some of Rogers’s peers, the company’s growth prospects are the real reason to consider an investment in the company.

That growth could prove to be significant over the long term, provided that Rogers continues to plan and execute across three key areas: Rogers needs to keep wireless growth strong, address the ongoing losses in the cable segment with a real comparable product, and begin a new program of rewarding shareholders.

The most recent quarter showed that Rogers is making progress on the wireless front. To be fair, growth has never been a huge pain point for Rogers, but the churn rate has. The massive amount of new postpaid subscribers in this most recent quarter should address some of that churn.

Moving to the cable segment, the X1 platform can’t come soon enough. Rogers’s previous offering was shuttered last year, and when the X1 was announced it was met with positive reviews. That long wait may finally be over, as the company begins the roll-out of the platform over the next few months.

Finally, there’s rewarding shareholders and customers. New CEO Natale was a former CEO of Rogers’s competitor, **Telus Corp.**, and Telus was renowned for having a customer-first mentality, which is being instilled into Rogers’s culture now, too. This not only helps improve customer service, but, by extension, it will lessen churn.

Overall, Rogers, in my opinion, remains a great investment opportunity that should be part of nearly every portfolio.

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