



## Rogers Communications Inc. vs. BCE Inc.: Which Is the Better Stock?

### Description

**Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) delivered its Q3 2017 results October 19. Judging by the reaction from Motley Fool Canada contributors, they were a home run.

Here's a sampling.

"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," Fool contributor Demetris Afxentious [wrote](#) October 24. "The massive amount of new postpaid subscribers in this most recent quarter should address some of that churn."

Wireless delivers for Rogers shareholders in the third quarter. That's excellent news for CEO Joe Natale, who's been in the top chair since mid-April.

"Rogers added the highest number of contract subscribers to its wireless service in eight years for a total of 129,000 new mobile customers," [said](#) Motley Fool Canada's Susan Portelance.

### Not all is well at Rogers

It's hard to miss the fact Rogers's wireless business is kicking butt and taking no prisoners, but I've seen minimal mention of its other operating segments — at least none that's positive, anyway.

In fact, Fool.ca's David Jagielski went as far as highlighting the poor performance of the company's internet, television, and phone services. Pointedly, Rogers added 27,000 net new internet customers in the third quarter, which is 31% less than a year earlier; television lost 18,000 net subscribers in Q3 2017, which is 29% higher than in the previous year; and it added 1,000 net new phone customers, which is 80% lower than last year.

Wireless might be functioning like a well-oiled machine, but Rogers's cable business is doing anything but, and that's where my story begins.

## The storm that opened my eyes

A few weeks ago on a blustery Sunday afternoon in Toronto, the power went out in Leaside, where I live; it stayed out for two to three hours. My wife and I took the opportunity to have dinner in an area of the city that did have power. We returned about 90 minutes later and it was back on.

Hurray!

I whipped off a couple of emails to friends and sat down to watch a little Sunday night football. There was only one problem: my cable wasn't working. My internet and home phone were, but not my TVs.

Want to guess why?

My internet and home phone are with **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), but my cable is with Rogers. Hmmm. A couple of hours passed with no further progress, so I went to bed. The next morning, the cable was back on.

I get that these things happen, but it's not the first time that Rogers's cable has failed in our area. Joe Natale might be trying to fix the culture at the company, so the customer comes first, but that's awfully hard to do if you have inferior technology. No amount of politeness is going to restore that; only ramping up your technology spending will solve the problem.

To that end, Rogers's strategic update suggests that the company is going to invest in its networks and technology.

That sounds good on paper, but I'm from Missouri, and you've got show me.

## Why Bell?

Personally, I've never had many problems with my Bell services, and given that my neighbour switched to Bell from Rogers and is much happier, I'm inclined to do the same.

Bell has been spending on its fibre networks in Toronto and expects to cover the city by sometime in 2018. If my neighbour's experience is any indication, Bell is winning the war against Rogers. Sure, Rogers has an IPTV product coming that will shrink the gap between it and Bell, but given my personal experience, I'm highly skeptical.

To me, it looks like Rogers has become a wireless carrier that also happens to offer cable services — not the other way around.

## Bottom line

As I look at both companies' financials, including margins, free cash flow, growth, dividends, etc., it seems clear to me that if you're an income investor, you've got to go with BCE; there's no comparison.

Now, if you want to bet on Joe Natale being the guy to return Rogers to its former glory, that's an entirely different proposition altogether. However, I've found that superstar CEOs rarely deliver a second time around.

I guess we'll see.

## CATEGORY

1. Investing

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

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## Date

2025/07/02

## Date Created

2017/10/31

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washworth

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