Better Telecom Stock in 2018: Rogers Communications Inc. vs. Shaw Communications Inc.

Description

Canadian telecommunications stocks performed reasonably well in 2017. Companies have been powered by a substantial spike in wireless growth, which has offset losses of cable subscribers. In an August article, I'd covered whether or not investors should be wary of telecom stocks, as they continued to bleed subscribers.

On December 14, the United States Federal Communications Commission (FCC) elected to repeal net neutrality. Net neutrality is the principle that internet service providers (ISPs) should not discriminate against web content. Some critics fear that its repeal will allow U.S. ISPs to slow or block certain web content.

The Canadian government still upholds net neutrality, but pressure will undoubtedly increase after the U.S. repeal. Streaming services like **Netflix, Inc.** have drawn away viewers from traditional cable, as I'd discussed in the recent CRTC survey released in November. It will be tempting, to say the least, for ISPs in the U.S. to use the newfound power to charge more for the substantial bandwidth that Netflix takes up with its services.

Let's compare two of Canada's largest telecom companies today and choose the better buy going forward.

Rogers

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) is a Toronto-based communications and media company. Shares of Rogers have increased 24.2% in 2017 as of close on December 15. However, the stock has declined 6% month over month.

Rogers released its third-quarter results on October 19. The company reported total revenue growth of 3% to $3.58 billion. Net income surged 112% to $467 million from $220 million in the prior year. This was largely due to a higher adjusted operating profit and losses in the third quarter of 2016 due to the drawdown of Shomi and a number of divestitures. Media revenue experienced a 3% decline year over year.

Rogers also posted the highest postpaid net additions in eight years with 129,000 — up 15,000 year over year. Wireless adjusted operating profit margin expanded by 80 basis points in the quarter. The stock offers a quarterly dividend of $0.48 per share with a 3% dividend yield.

Shaw

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR) is a Calgary-based telecommunications company with services backed by a fibre optic network. Shares of Shaw have climbed 8.5% in 2017. The company released its fourth-quarter results on October 26.

Shaw reported a consumer net gain of 25,000 over fiscal 2017 compared to a net loss of 170,000 in 2016. As with other telecoms, Shaw owes much of this bounce back to strong internet growth, but video subscribers also experienced an uptick with the launch of the interactive BlueSky TV. Wireless growth was also very strong with 41,000 added in the fourth quarter and over 103,000 in fiscal 2017.

The stock boasts a dividend of $0.10 per share with a 4% dividend yield.

Which should you buy?

In early December, reports broke that Rogers was considering selling its stake in the Toronto Blue Jays as well as **Cogeco Inc.**, which would net about $2.2 billion in capital that would go towards wireless expansion. Nothing is close to being finalized, according to leadership, but the report demonstrates that Rogers is looking to maximize this strength.

Both companies are solid dividend stocks to own in 2018, but I like Rogers to continue to outpace its competitors next year.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/26
Date Created
2017/12/18
Author
aocallaghan