This Telecom Can Provide the Growth You Need

Description

When you think of the stereotypical telecom investment, a strategy that prioritizes growth over income generation is a rarity. Telecoms are, after all, defensive in nature and offer us a slew of subscription-based services that are slowly bridging the gap to become necessary staples of our modern world.

So, then why is it that **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) is so focused on growth and, according to some, neglecting its dividend growth? Let's try to answer that question as well as provide some insight into why Rogers is such a compelling investment option.

Rogers's focus on growth: showing results?

Over the course of the past year, Rogers has placed a special emphasis on growing its subscriber numbers, rolling out new products and improving its customer service levels.

With respect to subscriber numbers, Rogers has two very interesting opportunities to capitalize on. The first comes in the form of the company's flagship wireless service. Wireless connections and the data connections we pay for are becoming a required necessity of our modern lives. With each new smartphone released, an ever-increasing library of data-hungry apps is rolled out that leverages that new hardware, becoming a vicious circle of growth for Rogers.

To answer that call, Rogers has been focused on growing its wireless subscriber base through a series of aggressive promotions that are finally beginning to bear fruit. Over the past two quarters, Rogers has reported improving numbers, which, in the most recent quarter, hit their highest figures in a decade.

Another area that investors should take notice of is Rogers new IPTV solution, Ignite. The highly anticipated solution offers a voice-activated remote that allows users to search for and watch content from a multitude of different collections, including third-party apps.

Strong results

In the most recent quarter, the was revenue growth improvement of 3% to $3,769 million, and adjusted EBITDA increased by 8% to $1,679 million over the same period last year.

Adjusted net income hit $625 million, or $1.21 per adjusted diluted share, in the most recent quarter, surpassing the $508 million, $1.07 per adjusted diluted share, reported in the same quarter last year by an impressive 13%.

Additionally, free cash flow saw an increase of 5% to $550 million.

In terms of subscribers, Rogers saw a net increase of 124,000 subscribers in the wireless segment in the most recent quarter, whereas the internet segment saw 35,000 net additions.

Overall, the results were positive for Rogers, which announced an updated guidance for the remainder of the year, calling for a 7-9% increase to the previously announced guidance for adjusted EBITDA and a 5-7% increase over the previously announced figure for free cash flow.

Should you buy Rogers?

In a word, yes. I like the opportunity that Rogers poses to investors for a few reasons. The emphasis on growing mobile is not only providing a growing base of subscribers for the company but also creating a solid moat against its current and future competitors, many of whom are aggressively pushing their own mobile solution.

Additionally, the opportunity for IgniteTV to take a dominant position in the market shouldn't be discounted. Cord cutting is a real growing threat to telecom subscribers and providing an innovative solution that leverages technology, whether its voice-activated controls or support for third-party streaming media solutions, shouldn't be discounted.

Finally, there's Rogers's dividend. While the 2.70% yield is decent, it hardly matches up against Rogers's peers, who, in some cases, have yields that are nearly double of what Rogers offers and still growing on an annual basis.

Rogers best appeals to the growth-seeking investor who is less concerned with a growing stream of income.

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