



This Is Why Rogers Communication Inc. (TSX:RCI.B) Outperformed Telus Corporation (TSX:T) Last Year

Description

Rogers Communications ([TSX:RCI.B](#))([NYSE:RCI](#)) had a good year on the stock market. While the TSX returned an average loss of 10%, RCI's share price rose by about the same percentage. Of course, there were bumps on the way, but overall, RCI outperformed most of its competitors. One of RCI's competitors, which it outperformed, is **Telus** ([TSX:T](#))([NYSE:TU](#)). Telus's share price decreased by 4% during 2018. What explains this stark contrast?

Rogers vs. Telus

RCI is currently the largest wireless service provider in Canada; the company holds about 33% of the Canadian wireless market. Wireless penetration has yet to reach 100% in Canada, so there is still room for growth for Canadian wireless providers.

The potential for growth in this market was once again evident last year. During the third quarter of 2018, even smaller wireless communication providers such as Freedom Mobile and Videotron added record numbers of subscribers.

The Big Three wireless providers, Rogers, **BCE**, and Telus, added 361,182 postpaid subscribers compared to 308,265 during the corresponding period of the previous year. That is an increase of 17% year over year. Rogers led the way with an increase of 129,000 subscribers compared to 117,182 and 115,000 for BCE and Telus, respectively.

Telus has the lowest postpaid churn of all the big companies in this industry. The churn rate is the percentage of how many subscribers discontinue their service. In short, Telus is managing to retain more of the subscribers it already has than its competitors. Telus's churn rate has been rising over the past few quarters, though, while RCI recently hit its lowest churn rate in nine years.

Telus also showed very strong results throughout last year. For the nine-month period that ended in September, Telus recorded increases in operating revenue and income of 7.5% and 5.1% year over

year, respectively. The company's adjusted net income improved by 3.8%, while its earnings per share improved by 2.5%.

RCI showed [much stronger results](#), with increases in revenue, net income, and earnings per share of 5%, 16%, and 21%, respectively. RCI's results were driven primarily by its wireless segment, in which revenue increased by 7% year over year, while its cable segment's revenue improved by only 1%, and the media segment's revenue did not improve at all compared to the corresponding period from the previous year.

The bottom line

In the battle of wireless providers, some of the smaller players have been growing their portion of the market. These companies typically offer the incentive of cheaper prices, and since the switching costs for customers are practically nonexistent, many subscribers to the Big Three have jumped ship.

While the financial results of both RCI and Telus have continued to grow over the years, RCI seems more immune to the challenge of smaller competitors. RCI adds more subscribers than Telus on average (despite already having more of them), while its churn rate continues to decline. RCI also records stronger increases in revenue and income year after year.

Few companies performed as well on the market as RCI did last year, especially during the second half of the year when the TSX and global stock markets were recording substantial losses. RCI managed to improve its share value throughout this period. Investors should take notice.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. NYSE:TU (TELUS)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:T (TELUS)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/26

Date Created

2019/01/12

Author
pbakiny

default watermark

default watermark