



Which Telecom Has Better Upside: Corus (TSX:CJR.B) or Rogers (TSX:RCI.B)?

Description

The word *monopoly* can seem pretty impressive. And there are lots of companies out there that have monopolies and have proven extremely profitable.

But a monopoly isn't always so exciting. You can have a monopoly on something that's basically worthless, and then where are you as a company?

Analysts have begun to worry that's exactly the case for telecommunications businesses like **Corus Entertainment** ([TSX:CJR.B](#)) and **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)).

Streaming services have caused many to "cut the cord" and get rid of cable for good. Deals are being made constantly between shows and services like **Netflix** that even air new episodes as they come out rather than waiting for an entire season to be released.

But that doesn't mean these companies are worthless quite yet. So, let's see which one should fair better in this new phase of telecommunications between Corus and Rogers.

The case for Corus

Since streaming has caught on, Corus has been trying to keep up. And investors haven't been rewarded well because of it.

Last year, share prices plummeted after poor earnings. This caused the company to announce a \$1 billion writedown in the value of its broadcast licences and cut its dividend by 79%! By the end of 2018, the stock dropped from about \$26 a share to just \$6 per share. Ouch.

But there is still hope for a turnaround for this company. While streaming services are still a threat, Corus has diversified to include multi-platform streaming applications so viewers can watch online. And those shows are pretty popular. The company has 44 different specialty channels that include National Geographic, **Disney**, Global, and 39 radio stations.

With its [earnings report release](#), investors are looking for any sign of life to start investing again. In fact, many still prefer conventional cable because, unlike the U.S., Canada just doesn't have the plethora of options for streaming channels. You'd instead have to collect several services to watch what you normally could on a normal cable subscription.

With that, this stock is likely quite undervalued. With free cash flow up from \$180 million in 2016 to \$349 million in fiscal 2018, and a debt-to-net-profit ratio that's dropped from 3.46 times to just under 3.15 times, Corus isn't looking too bad.

The case for Rogers

Canada's second-largest telecom company may be large, but it still has room to grow. It knows it, and it's already started the process by going beyond cable to wireless.

Rogers has the largest market share of Canada's wireless segment, getting about 60% of its revenue from wireless and only 26% from its cable sector. It has continued to expand in this space, exciting investors over the soon release of a 5G network. As it expands, this has brought in more cash flows and pushed shares even higher.

But another way Rogers has dominated is by going back to cable versus streaming in Canada and looking at the one place where Rogers clearly has an edge: sports.

Besides owning the Toronto Blue Jays as well as the Rogers Centre venue, Rogers has most of the channels subscribers would want to watch almost any game. And have you tried to see what's offered out there for sports streaming packages? It's insanity! You'd have to purchase a separate service for each sport, each costing you a couple hundred bucks. Why do that when you can get a deal with Rogers and watch them all on the same package?

Until Canada catches up, Rogers really doesn't have to worry about any threat.

Bottom line

Rogers clearly edges out Corus in this scenario. Corus is just too heavily invested in cable and will need some major wins in the next few quarters to earn investor trust again.

Rogers, meanwhile, has expanded beyond worry. Its expansion into the wireless space is a huge win for the company, but it [still locks in new clients](#) almost constantly. And despite the higher share price, the stock is still undervalued. If I'm choosing one today, I'm definitely going with Rogers.

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