Investors Beware: Rogers Communications (TSX:RCI.B) Could Be in for a Rough Ride

Description

You pretty much expect most large companies to do well forever. Included in that category is **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), the telecommunications business that almost monopolizes the markets.

Its investment in wireless and constant increase of clientele has boded well over the years for the company, seeing a steady increase that's lasted pretty much until today — that is, until its latest quarterly results.

The results weren't a surprise to some analysts, who believe the company has peaked. But let's take a look at what's going on with Rogers.

Historical performance

As mentioned, Rogers invested heavily into wireless, paying for licences across Canada for additional spectrums. Of 104 licences that recently went up for grabs, the company got 52 for $1.72 billion. This seemed to pay off for a time, with new subscribers streaming into the company. Last quarter, the company announced 112,000 new subscribers, so that's definitely not bad.

The company also announced it would be rolling out the new 5G ecosystem over the next year, which, of course, brought in even more business and boosted revenue, though it also came with a $1.7 billion price tag.

About those price tags…

Clearly, the licences came at a cost, costing this company big. Its first-quarter results were released on Apr. 18, and while the company is on track to meet its estimates for the year, it was definitely a slow quarter falling below analyst estimates.

Net income came in at $391 million compared to $425 million last year, which was when the company received a payment from Major League Baseball for owning the Toronto Blue Jays. Revenue was also down for the quarter, with $3.59 billion compared to $3.63 billion last year. Wireless sales were also quite far down, with 23,000 net additions compared to 95,000 last year.

And that seems to be the problem for this company that depends so much on wireless. Rogers blamed revenue decline for lower sales in wireless equipment like smartphones, but it’s hard to blame consumer excitement about phones that your company isn’t even making.

Future outlook

Frankly, Rogers was at the head of the game because it had the superior wireless network. But that’s no longer the case. **BCE** has caught up with its fibre network, making the enormous investment in wireless look a bit shaky. Now that it has such a strong competitor, share prices should stabilize and not continue on the same meteoric rise it’s been on.

Instead of focusing on wireless Rogers has instead focus on its media unit, with investments into Sportsnet, Comcast, and the Toronto Blue Jays. But with streaming services far outpacing this company, again this should prove a very hard and competitive nut to crack.

All in all, this company is in for a shock over the next few years. There is just too much competition among both wireless and media for this company to continue to be seen as the clear frontrunner. So, unless it comes out with something truly extraordinary, expect that same shock to be felt with its shares as well.

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