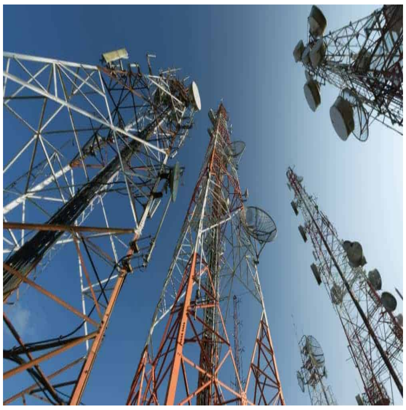

Why Rogers Communications (TSX:RCI.B) Stock Fell 4% in August

Description

Shares in Canada's second-largest wireless telecommunications provider, **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) continued their slide in August, losing another 4% of their quoted market value.

Despite that the total value of Rogers's market capitalization is but a fraction of that of its closest rival, **BCE** (TSX:BCE)(NYSE:BCE), it still lays claim to Canada's largest wireless network in addition to the largest cable footprint across the Ontario, New Brunswick, and Newfoundland and Labrador regions, with more than 4.4 million homes covered.

But there's no question that wireless is still where Rogers's bread is buttered.

Wireless sales accounted for 60% of total company revenues in 2018 along with 67% of total adjusted EBITDA and was the biggest driver of RCI's 2018 performance.

During 2018, wireless revenues grew 7%, while adjusted EBITDA was 10% higher thanks to 99,000 net postpaid adds and a lower overall churn rate (churn refers to customers leaving the company's subscriber networks).

Strong performance from wireless was enough to offset continued weakness in the company's media and television divisions, which continue to suffer from the — what now seems like permanent — trend of cord cutting and an overall migration from traditional fixed media services.

However, not all is lost, as ultimately consumers will still — and are — demand(ing) content entertainment options, and the reality is that what we've seen over the past decade or so is more of a migration from one platform (cable and print media) to digital formats like mobile, including online streaming and pay-on-demand services.

In this respect, Rogers shouldn't have a whole lot to worry about so long as it can continue to attract — and keep — customers on its existing wireless and internet subscription services.

In fact, continued demand for online and mobile video content should actually help to drive Rogers's ARPUs (average revenues per customer) higher over the coming decade, and particularly once more customers get migrated to its forthcoming 5G platform.

There are some worries, however, that Rogers and others in its industry could be at risk from increased competition if the CRTC (Canada Radio and Television Commission) were to relax some of its restrictions to allow new entrants into the marketplace.

Canadians have long complained that the price they pay for wireless services is too high, and there's no denying that Canadians do pay more, on average, than many other OECD nations; however, a lot of this has more to do with the nature of the Canadian landscape and the extent of investment that is required on the part of wireless providers like Rogers.

Yet the reality is that some of those expenses have yet to be paid for in full, as evidenced by the fact that Rogers still has a lot of outstanding debt on its books.

And it isn't a trend that will go away anytime soon, either.

Rogers's debt leverage ratio has increased significantly over the first two quarters of 2019, the result of a new accounting regulation (IFRS 16) as well as its acquisition of 600 MHz of spectrum.

Its balance sheet is still viewed as investment grade by the relevant credit authorities, so there's no need for investors to be concerned about Rogers as a going concern, but the reality is that debt burden will more than likely have some kind of an impact on its ability to make large and meaningful increases to its current dividend payout over the short- to medium-term future.

For my money, BCE remains the better investment of the two.

BCE shares pay a 4.96% annual dividend at the moment, significantly more than RCI's 2.98% trailing dividend yield.

And even though RCI offers investors the more attractive price-to-earnings ratio of the two, I just don't think that makes much of a difference.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2019/09/14
Author
jphillips