



## Rogers (TSX:RCI.B): 200% Subscriber Growth Before Mega-Merger

### Description

Investors are delighted with the upward momentum of Canada's third-largest telco. **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) recorded a all-time intra-day high of \$80.85 on April 20, 2022. Despite the lower close (\$76.07), the [5G stock](#) is up 27.23% year to date.

The spike was triggered by the strong results in Q1 2022. In the quarter ended March 31, 2022, subscriber growth accelerated from 22,000 to 66,000, or 200%. Revenue (4%) and net income (9%) grew less than 10% versus Q1 2021. However, cash from operating activities and free cash flow increased 20% and 31%, respectively.

Things are looking good for Rogers, as it awaits two more approvals to proceed with the takeover of **Shaw Communications**. The Canadian Radio-television and Telecommunications Commission (CRTC) approved the proposed \$20 billion mega-merger in the [telco space](#) last month.

### Transformational transaction

Rogers's president and CEO Tony Staffieri said, "We are very confident about the opportunities ahead, driven by the exceptional quality of our assets." Still, completing the transformational transaction with Shaw is top priority.

Growth, especially on the wireless segment, is on the horizon if the Competition Bureau and Innovation, Science, and Economic Development Canada (ISED) give the green light on mid-year. Moreover, Rogers will unseat **TELUS** as the country's [second-largest telco](#).

### More growth without the deal

Bloomberg Intelligence's senior analyst John Butler said that even without the Shaw deal, Rogers's wireless growth should improve through better execution. Its digital and retail channels can drive transactions. Butler expects high-margin roaming fees in 2022, too due to the travel rebound.

Jeff Fan, an analyst at **Scotiabank**, said, "Wireless results were well above our already high expectations." He said they were due to new customers and higher growth in revenue per user. Following the impressive quarterly results, Rogers forecast service revenue growth between 6% and 8% in 2022 over 2021. Its earlier guidance was only 4-6%.

Management also revised its guidance upward for adjusted EBITDA (8-10% increase) and free cash flow (\$1.9-\$2.1 billion). Desjardins analyst Jerome Dubreuil said about the revisions, "It is not common for telecom companies to increase their outlook this early in the year." Somehow, it speaks to management's improved visibility on the company's operations amid the reopening.

## Bridge the digital divide

Many groups, including industry peers **BCE** and TELUS are against the merger with Shaw. Staffieri justified the acquisition, saying it would give Rogers the scale to "meaningfully bridge the digital divide" and "drive competition." Some analysts believe the sale of Freedom Mobile will increase the chances of approval, if not seal the deal.

While waiting for the regulatory approvals, Rogers has started working with its vendors, including leadership preparations for the merger. The \$38.11 billion communications and media company expects to realize \$1 billion of cost synergies within two years of the deal closing.

Rogers should attract more customers pending the merger, as it provides leading next-generation products and services. Its customers across Ontario, New Brunswick, and Newfoundland have faster download and upload speeds.

## Top performer

Rogers outperform BCE and TELUS thus far in 2022 after lagging behind in recent years. Besides the potential price appreciation, would-be investors can partake of the 2.63% dividend.

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