



Wireless War: Rogers Communications Inc. vs. BCE Inc. vs. TELUS Corporation

Description

The results are in. **Rogers Communications Inc.** ([TSX: RCI.B](#))([NYSE: RCI](#)) reported Q2 results on July 24. Subsequently, both **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)), and **TELUS Corporation** ([TSX: T](#))([NYSE: TU](#)) reported on August 7.

What do investors need to know?

Wireless growth is slowing

Rogers, BCE, and Telus reported net increase of about 182,000 postpaid wireless subscribers in Q2, significantly less than the 294,000 subscribers reported during the same period last year. This is a decline of 38%.

Of the 182,000 subscribers, Telus led the pack with an impressive 43%, followed by BCE at 36% and Rogers at 21%.

A similar story can be found when examining the first half results (Q1 and Q2), where net postpaid wireless subscribers increased by about 266,000 but declined 40% from the prior year.

Remarkably, Telus had 47% of the entire first half amount of net postpaid wireless subscribers, followed by BCE at 38% and Rogers at 15%.

Telus continues to execute effectively in the marketplace and its tactics are resonating with customers, as it has led the industry for four of the five past quarters in postpaid net additions.

Customer retention remains a focus

A big part of the subscriber game is wireless churn, or the percentage of subscribers who discontinue their subscriptions.

While all of the national carriers improved on their retention strategy, Telus led the pack with an impressive 13 basis point improvement, from 1.03% a year prior to 0.9% for postpaid subscribers in

Q2. Rogers came in second with a 1.13% postpaid subscriber churn, an improvement of four basis points. Lastly, Bell reported a postpaid subscriber churn of 1.16%, also an improvement from the prior year.

Looking at the first half of this year, Telus continues to dominate in customer retention with a 0.94% postpaid subscriber churn, an improvement from the 2013 full-year churn of 1.07%. Both Rogers and Bell have similar churn numbers at 1.17% and 1.20% respectively, all improving from the prior year.

The industry as a whole continues to focus on customer retention as subscriber growth slows. Telus led the quarter and the first half with an impressive churn rate of under 1%. The company is doing all the right things for the customer.

Blended ARPU is growing

Telus' dominant performance continues in average revenue per user, or ARPU. It leads the industry with an impressive \$62.51 blended ARPU, accounting for both prepaid and postpaid subscribers, growing 2.1% in the quarter compared to the previous year. This is followed by BCE and Rogers at \$59.49 and \$59.15 respectively.

With a triple combo of leading in net postpaid wireless subscribers, the lowest postpaid churn rate, and the highest blended ARPU, Telus is firing on all cylinders with its mobility strategy.

Rogers remains the largest wireless carrier

While Telus is currently dominating the wireless space, Rogers remains the largest wireless provider in the nation.

As of Q2, its postpaid subscriber market share decreased from 37.7% a year ago to 37.3%, a decline of 40 basis points. Conversely, Telus increased its market share by 30 basis points to 31.6% and BCE increased its market share by 10 basis points to 31.1%.

[As previously mentioned](#), Rogers' CEO, Guy Laurence, continues to restructure the company into September. Investors may expect short-term volatility as he streamlines operations.

Valuation matters

Not surprisingly, Telus is currently trading at a premium relative to Rogers and BCE, at a forward estimated P/E ratio of slightly above 16. Compare this to BCE's forward estimated P/E of slightly above 15, and Rogers' forward estimate P/E ratio of under 14.

While all three national carriers are trading below the general market, Rogers' valuation remains attractive only if operational improvements can be made.

For Rogers, it is not about making game-changing moves; rather, it is about focusing on improving relationships with existing customers.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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