Should You Buy or Sell Rogers Communications Inc. Following Mixed First-Quarter Results?

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI), one of the largest communications and media companies in Canada, released first-quarter earnings after the market closed on April 20 and its stock responded by rising about 0.5% in the trading session that followed. Let's take a closer look at the results to determine if we should be long-term buyers today, or if we should wait for a better entry point in the trading sessions ahead instead.

The mixed first-quarter results

Here's a summary of Rogers' first-quarter earnings compared to what analysts had anticipated and its results in the same period a year ago.

Metric	Reported	Expected	Year-Ago
Earnings Per Share	$0.53	$0.63	$0.66
Operating Revenue	$3.18 billion	$3.16 billion	$3.02 billion

Source: Financial Times

Rogers' adjusted diluted earnings per share decreased 19.7% and its revenue increased 5.1% compared with the first quarter of fiscal 2014. Rogers' double-digit decline in earnings per share can be attributed to its adjusted net income decreasing 19.1% to $275 million, and the company noted that this was a direct result of a 7.7% increase in depreciation and amortization, as well as a 3.2% decrease in adjusted operating profit.

Its strong revenue growth can be attributed to revenues increasing in three of its four major segments, led by 26.4% growth to $464 million in its media segment, 3.9% growth to $1.79 billion in its wireless segment, and 1.2% growth to $870 million in its cable segment, while revenues remained unchanged at $94 million in its business solutions segment.

Here's a quick breakdown of 10 other important statistics and updates from the report compared to the year-ago period:

1. Total Internet subscribers increased 1.2% to 2 million
2. Total television subscribers decreased 5.9% to 1.98 million
3. Total phone subscribers decreased 2.8% to 1.13 million
4. Total cable homes passed increased 2.4% to 4.09 million
5. Total service units decreased 2.6% to 5.12 million
6. Adjusted operating profit decreased 3.2% to $1.12 billion
7. Adjusted operating profit margin contracted 300 basis points to 35.4%
8. Free cash flow decreased 25.3% to $266 million
9. Cash provided by operating activities decreased 44.4% to $227 million
10. Adjusted net debt increased 19.6% to $15.22 billion

Should you buy shares of Rogers Communications Inc. today?

Even though Rogers' first-quarter earnings were far from impressive, I do think its stock represents an attractive long-term investment opportunity today because it trades at inexpensive valuations and has a very high dividend yield.

First, Rogers' stock trades at just 14.1 times fiscal 2015's estimated earnings per share of $2.99 and only 13.6 times fiscal 2016's estimated earnings per share of $3.10, both of which are inexpensive compared to the industry average multiple of 24.1 and its long-term growth potential.

Second, Rogers pays a quarterly dividend of $0.48 per share, or $1.92 per share annually, giving its stock a very high 4.6% yield at current levels. The company has also increased its dividend 11 times since 2005, making it one of the top dividend-growth plays in the market today.

With all of the information provided above in mind, I think Rogers represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions.

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1. Dividend Stocks
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1. Editor's Choice

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