Is Rogers Communications Inc. Headed to New 52-Week Highs?

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI), Canada's largest diversified communications and media company, announced second-quarter earnings results before the market opened today, and its stock responded by rising over 2%. Let's take a closer look at the results to determine if we should consider buying in to this rally, or if we should wait for it to subside.

Surpassing analysts' expectations with ease

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

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	$0.80	$0.79	$0.84
Operating Revenue	$3.40 billion	$3.36 billion	$3.21 billion

Source: Financial Times

Rogers' adjusted earnings per share decreased 4.8% and its operating revenue increased 5.9% compared to the second quarter of fiscal 2014. The company's slight decline in earnings per share can be attributed to its adjusted net income decreasing 4.6% to $412 million, led lower by its total operating expenses increasing 8.4% to $2.89 billion.

Its strong revenue growth can be attributed "greater smartphone sales" and "higher network revenue from the continued growth in data use by our subscriber base," which led to revenues increasing 5.7% to $1.90 billion in its Wireless segment, as well as its NHL licensing agreement and growth in its media outlets, which led to revenues increasing 22.5% to $582 million in its Media segment.

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

1. Revenues decreased 0.3% to $869 million in its Cable segment
2. Revenues decreased 1.1% to $94 million in its Business Solutions segment
3. Total postpaid wireless subscribers increased 0.6% to 8.16 million
4. Total prepaid wireless subscribers increased 1.7% to 1.35 million
5. Total internet subscribers increased 1.3% to 2.01 million
6. Total television subscribers decreased 5.9% to 1.95 million
7. Total phone subscribers decreased 3.9% to 1.12 million
8. Adjusted operating profit increased 1.8% to $1.34 billion
9. Adjusted operating profit margin contracted 160 basis points to 39.3%
10. Free cash flow increased 9.2% to $476 million

Is now the time to buy Rogers Communications?

It was a great quarter overall for Rogers, so I think its stock has responded correctly by moving higher. I also think this could be the start of a sustained rally higher, because the stock still trades at inexpensive valuations and because it has a very high dividend yield.

First, Rogers' stock trades at just 15.7 times fiscal 2015's estimated earnings per share of $2.87 and only 15 times fiscal 2016's estimated earnings per share of $3.00, both of which are inexpensive compared to the industry average price-to-earnings multiple of 19.7.

Second, Rogers pays a quarterly dividend of $0.48 per share, or $1.92 per share annually, giving its stock a 4.3% yield at today's levels. The company has also increased its annual dividend payment for nine consecutive years, and this streak will reach 10 if it maintains its current quarterly rate for the rest of 2015, and its consistent free cash flow generation could allow this streak to continue for the foreseeable future.

With all of the information above in mind, I think Rogers Communications represents one of the best investment opportunities in the market today. Foolish investors should take a closer look and strongly consider making it a core holding.

CATEGORY

1. Dividend Stocks
2. Investing

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