



Rogers Communications Inc. Tops Q3 Estimates: Should You Buy Now?

Description

Rogers Communications Inc. ([TSX:RCI.B](#))([NYSE:RCI](#)), one of Canada's largest diversified communications and media companies, announced better-than-expected third-quarter earnings results on the morning of October 22, and its stock has responded by rising over 2%. Let's take a closer look at the results to determine if this could be the start of a sustained rally higher and if we should initiate positions today.

Surpassing analysts' expectations with ease

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

Metric	Q3 2015 Actual	Q3 2015 Expected	Q3 2014 Actual
Adjusted earnings per share	\$0.92	\$0.82	\$0.79
Operating revenue	\$3.38 billion	\$3.32 billion	\$3.25 billion

Source: *Financial Times*

Rogers's adjusted earnings per share increased 16.5% and its revenue increased 4.1% compared with the third quarter of fiscal 2014. The company's double-digit earnings-per-share growth can be attributed to its adjusted net income increasing 16.5% to \$472 million, helped by its operating expenses increasing just 0.3% to \$2.8 billion.

Its very strong revenue growth can be attributed to its revenues increasing 4.9% to \$1.97 billion in its wireless segment primarily as a result of "greater smartphone sales and higher network revenue" from its wireless plans, and its revenue increasing 7.5% to \$473 million in its media segment primarily as a result of growth at Sportsnet and the Toronto Blue Jays.

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

1. Revenues increased 0.8% to \$871 million in its cable segment
2. Revenues decreased 2.1% to \$94 million in its business solutions segment
3. Total postpaid wireless subscribers increased 1.3% to 8.24 million
4. Total prepaid wireless subscribers increased 15.6% to 1.58 million
5. Total Internet subscribers increased 1.7% to 2.03 million
6. Total television subscribers decreased 6.1% to 1.92 million
7. Total phone subscribers decreased 4.5% to 1.11 million
8. Adjusted operating profit increased 2.5% to \$1.35 billion
9. Cash provided by operating activities increased 37.7% to \$1.46 billion
10. Free cash flow increased 78.4% to \$660 million

Rogers also announced that it will be maintaining its quarterly dividend of \$0.48 per share, and the next payment will come on January 4 to shareholders of record at the close of business on December 11.

What should you do with Rogers today?

It was a phenomenal 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 much higher, because its stock still trades at inexpensive forward valuations and because it is both a high dividend and dividend-growth play, which will continue to attract investors.

First, Rogers's stock trades at just 17.7 times fiscal 2015's estimated earnings per share of \$2.88 and only 17.1 times fiscal 2016's estimated earnings per share of \$2.99, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 20.8 and its industry average multiple of 28.3.

I think Rogers's stock could consistently trade at a fair multiple of at least 20, which would place its shares upwards of \$59.75 by the conclusion of fiscal 2016, representing upside of more than 17% from today's levels.

Second, Rogers pays an annual dividend of \$1.92 per share, which gives its stock a very generous 3.8% yield. It is also very important to note the company has raised its dividend for 10 consecutive years, and its increased amount of free cash flow, including 20.1% year-over-year growth to \$1.4 billion in the first nine months of fiscal 2015, could allow this streak to continue in 2016.

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

CATEGORY

1. Dividend Stocks
2. Investing

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Author

jsolitro

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