3 Reasons Why Rogers Communications Inc. Could Go Even Higher

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI), one of Canada's largest diversified communications and media companies, has been one of the market's top performing stocks in 2015, rising over 17% year-to-date and over 16% in the last month, and I think it could go even higher from here. Let's take a look at three of the primary reasons why I think this will happen and why you should buy the stock today.

1. Its strong third-quarter earnings could support a continued rally

On the morning of October 22, Rogers released better-than-expected third-quarter earnings results. Its stock has responded by rising nearly 7% in the trading sessions since, reaching new all-time highs in the process, and I think the positive sentiment surrounding the results could keep the rally going. Here's a summary of 10 of the most notable statistics from the third quarter of fiscal 2015 compared with the third quarter of fiscal 2014:

1. Adjusted net income increased 16.5% to $472 million
2. Adjusted earnings per share increased 16.5% to $0.92, surpassing analysts' expectations of $0.82
3. Revenue increased 4.1% to $3.38 billion, surpassing analysts' expectations of $3.32 billion
4. Revenues increased 4.9% to $1.97 billion in its wireless segment
5. Revenues increased 7.5% to $473 million in its media segment
6. Revenues increased 0.8% to $871 million in its cable segment
7. Revenues decreased 2.1% to $94 million in its business solutions segment
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

2. Its stock trades at inexpensive forward valuations

At today's levels, Rogers's stock trades at just 18.1 times fiscal 2015's estimated earnings per share of $2.93 and only 17.6 times fiscal 2016's estimated earnings per share of $3.02, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 20 and its industry average multiple of 28.3.

I think Rogers's stock could consistently command a fair multiple of at least 20, which would place its shares upwards of $60 by the conclusion of fiscal 2016, representing upside of more than 12% from current levels.

3. Its dividend will continue to attract and retain investors

Rogers pays a quarterly dividend of $0.48 per share, or $1.92 per share annually, giving its stock a bountiful 3.6% yield. It has also raised its dividend for 10 consecutive years, and its increased amount of free cash flow, including the aforementioned 78.4% year-over-year increase to $660 million in the third quarter as well as 20.1% year-over-year increase to $1.4 billion in the first nine months of fiscal 2015, could allow this streak to continue in 2016.

Rogers has a high dividend and is a dividend-growth play, which will continue to make it one of the go-to stocks for dividend investors, and this demand will play a major role in driving its shares higher over the long term.

Should you buy Rogers today?

Rogers Communications has been one of the market's top performing stocks in 2015, and I think it will head even higher from here, because it has the support of very strong third-quarter earnings results, because its stock is trading at inexpensive forward valuations, and because it has a high dividend and is a dividend-growth play, which will continue to attract new investors and retain its current ones. All Foolish investors should strongly consider making Rogers a core holding.

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1. Dividend Stocks
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