



## Rogers Communications Inc.: Is it Too Late to Buy?

### Description

**Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) had a great run in the third quarter, and investors are wondering if the move is the start of a long-term rally.

Let's take a look to see if Rogers deserves to go into your portfolio right now.

### Earnings

Rogers delivered Q3 revenue of \$3.384 billion, a 4% gain over the same period last year.

Net income was \$464 million, up from \$332 million the year before, and the company delivered free cash flow of \$660 million, a significant increase over the \$370 million the company generated in Q3 2014.

### Wireline results

Wireline revenues are primarily derived from cable and Internet subscriptions. The group's operating revenue in the third quarter was \$871 million, pretty much in line with the same period last year.

Cord cutting is still an issue for the cable and wireline phone services, but Rogers is making good progress on its efforts to increase Internet revenue, which rose 11% to \$344 million in Q3.

### Wireless results

The wireless division is still the golden goose. Operating revenues improved by 5% to \$1.97 billion, but higher costs resulted in a 1% decline in operating profit compared with the third quarter last year.

Wireless customers have shorter contracts now, and competition is intense for data-hungry smartphone users. This has forced the big players to focus more on customer service, which has not traditionally been a strong point for Rogers.

The company is making progress, although its 1.31% postpaid mobile churn rate still trails its competitors.

## Media results

Rogers saw operating revenue in the media division jump 8% to \$473 million in the third quarter as the success of the Toronto Blue Jays enticed fans to buy tickets, merchandise, and concession products in massive numbers.

Rogers owns the Jays, the Rogers Centre, and Sportsnet.

## Dividends

Rogers pays a quarterly dividend of \$0.48 per share that yields about 3.7%. The company has a long history of raising the distribution, and the strong free cash flow numbers suggest there is ample room for more dividend hikes.

## Should you buy Rogers?

Investors drove the stock up nearly 15% as the Blue Jays euphoria hit its peak, but the media group delivered less than 5% of adjusted Q3 operating profits, so investors have to take the weighting of the media group into consideration when deciding to buy the stock.

The shares have since pulled back a bit, but are still trading at a hefty 17 times forward earnings, which is currently higher than both **BCE** and **Telus**. At the current price, I'm not convinced Rogers deserves your money ahead of the other two names.

If you already own the stock, it certainly looks like a good long-term hold. New investors might want to wait for the shares to come down some more before stepping in.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
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