



## Rogers Communications Inc. Misses Q4 Estimates: What Should You Do Now?

### Description

**Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)), one of Canada's largest diversified communications and media companies, announced weaker-than-expected fourth-quarter earnings results before the market opened on January 27, and its stock responded by making a sharp move lower.

Let's break down the results, two notable announcements made by the company, and the fundamentals of its stock to determine if this decline represents a long-term buying opportunity or a warning sign to avoid it for the time being.

### The results that fell short of expectations

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

Metric	Q4 2015 Actual	Q4 2015 Expected	Q4 2014 Actual
Adjusted Earnings Per Share	\$0.64	\$0.69	\$0.69
Operating Revenue	\$3.45 billion	\$3.48 billion	\$3.37 billion

*Source: Financial Times*

Rogers's adjusted earnings per share decreased 7.2% and its operating revenue increased 2.6% compared with the fourth quarter of fiscal 2014. The company's decline in earnings per share can be attributed to its adjusted net income decreasing 6.8% to \$331 million, which was partially due to its total operating expenses increasing 4.6% to \$1.23 billion.

Its slight revenue growth can be attributed to its revenues increasing 4.4% to \$1.98 billion in its wireless segment and 2.9% to \$560 million in its media segment. The strong growth in its wireless segment was primarily due to continued adoption of its Rogers Share Everything plans by its customers, while the slight growth in its media segment was primarily due to higher subscription and

advertising revenue generated by its Sportsnet properties and higher Toronto Blue Jays game day and merchandise revenues as a result of the team making the postseason.

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

1. Revenues decreased 1.8% to \$855 million in its cable segment
2. Revenues decreased 2.1% to \$95 million in its business solutions segment
3. Total postpaid wireless subscribers increased 2.5% to 8.27 million
4. Total prepaid wireless subscribers increased 16.6% to 1.61 million
5. Total Internet subscribers increased 1.8% to 2.05 million
6. Total television subscribers decreased 6.3% to 1.9 million
7. Total phone subscribers decreased 5.2% to 1.09 million
8. Adjusted operating profit remained relatively unchanged at \$1.23 billion
9. Cash provided by operating activities decreased 7.9% to \$950 million
10. Free cash flow decreased 3.6% to \$274 million

### **Two notable announcements made by Rogers**

Rogers also made two notable announcements.

First, it announced that it will be maintaining its quarterly dividend of \$0.48 per share, and the next payment will come on April 1 to shareholders of record at the close of business on March 13.

Second, it announced its outlook on fiscal 2016 and is calling for 1-3% growth in operating revenue, 1-3% growth in adjusted operating profit, and 1-3% growth in free cash flow.

### **Should you buy Rogers's stock on the dip?**

It was a disappointing quarter overall for Rogers, so I think the post-earnings drop in its stock is warranted. However, I also think the weakness represents a prime long-term buying opportunity for two reasons.

First, Rogers's stock is a great value play. It trades at just 16.7 times fiscal 2015's adjusted earnings per share of \$2.89 and only 16 times fiscal 2016's estimated earnings per share of \$3.01, both of which are inexpensive given the strength and stability of its business and balance sheet and its estimated 4.2% earnings growth rate in fiscal 2016.

Second, it has a great dividend. It pays an annual dividend of \$1.92 per share, which gives its stock a high and very safe yield of about 4%. Investors must also note that the company has raised its annual dividend payment for 11 consecutive years, and its increased amount of free cash flow, including 16.6% year-over-year growth to \$1.68 billion in fiscal 2015, should allow this streak to continue in 2016.

With all of the information provided above in mind, I think Foolish investors should strongly consider using the post-earnings weakness in Rogers Communication's stock to begin scaling in to long-term positions.

### **CATEGORY**

1. Dividend Stocks

2. Investing

## TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)

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## Date

2025/09/29

## Date Created

2016/01/28

## Author

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