Why Rogers Communications Inc. Is up Over 3% Today

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI), one of Canada's largest communications and media companies, released its second-quarter earnings results this morning, and its stock has responded by rising over 3%. Let's take a closer look at the results and the fundamentals of its stock to determine if we should be long-term buyers today, or if we should look elsewhere for an investment instead.

A solid quarter of top- and bottom-line growth

Here's a breakdown of 15 of the most notable statistics from of Rogers's three-month period ended on June 30, 2016 compared with the same period in 2015:

Metric	Q2 2016	Q2 2015	Change
Adjusted net income	$427 million	$412 million	3.6%
Adjusted earnings per share	$0.83	$0.80	3.8%
Revenues: wireless segment	$1.93 billion	$1.90 billion	1.5%
Revenues: cable segment	$870 million	$869 million	0.1%
Revenues: media segment	$615 million	$582 million	5.7%
Revenues: business solutions segment	$97 million	$94 million	3.2%
Total revenues	$3.46 billion	$3.40 billion	1.5%
Adjusted operating profit	$1.35 billion	$1.34 billion	0.7%
Operating cash flow	$1.12 billion	$1.11 billion	0.6%

Free cash flow	$495 million	$476 million	4%
Postpaid wireless subscribers	8.35 million	8.16 million	2.3%
Prepaid wireless subscribers	1.61 million	1.35 million	19.6%
Internet subscribers	2.08 million	2.01 million	3.4%
Television subscribers	1.85 million	1.95 million	(5.3%)
Phone subscribers	1.09 million	1.12 million	(3%)

What should you do with Rogers's stock now?

It was a good quarter overall for Rogers, much of which can be attributed to the success of its ongoing Rogers 3.0 Plan, so I think the market has responded correctly by sending its stock higher. I also think it represents one of the market's best low-risk investment opportunities for the long term for the following three reasons:

1. It has a rock-solid balance sheet and a stable business model that is a cash flow machine. There are also high barriers to entry into the industries that it operates, so it will continue to face limited competition.
2. Its stock seems fairly valued at 19.3 times fiscal 2016's estimated earnings per share of $2.88, but it's expected to grow its earnings by 5.6% in fiscal 2017 and 4.4% over the long term, so I think its stock will slowly tick higher along the way.
3. It pays a quarterly dividend of $0.48 per share, or $1.92 per share annually, giving its stock a very safe yield of about 3.5%. It has also raised its annual dividend payment for 11 consecutive years, and its strong operational performance could allow this streak to continue in 2016 and beyond.

With all of the information provided above in mind, I think Foolish investors who are seeking a low-risk stock with modest growth potential and a great dividend, such as retirees, should take a closer look and strongly consider initiating positions in Rogers Communications today.

CATEGORY

1. Dividend Stocks
2. Investing

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