Rogers Communications Inc. Posts Impressive Earnings Results

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) reported impressive earnings and wireless subscriber numbers on Tuesday to the delight of investors and the wider market. Rogers's share price closed 0.7% higher on news that the company's net income increased by 28% over the previous quarter, and both earnings and subscriber growth exceeded analysts' estimates during the first quarter of 2017.

I'll take a look at some of these fundamentals and compare Rogers's recent results with those of its competitors.

Robust fundamentals further enhanced

Rogers beat the street estimate of $0.56 per share by $0.01 per share and added 60,000 net postpaid wireless subscribers in Q1 2017. The net subscriber number impressed analysts, as only 34,000 additional customers were expected to be added during the period.

The increase in net income from $230 million a year ago to $294 million this past quarter reflects the strength of the company in capitalizing on its growing subscriber base.

Rogers may still be too expensive for a value investor

Rogers is far and above the most expensive telecommunications company in Canada. With a trailing price-to-earnings (P/E) ratio of 38, Rogers stands head and shoulders above its competitors in terms of valuation.

In comparison, **Telus Corporation** (TSX:T)(NYSE:TU) has a 21 P/E, and **BCE Inc.** (TSX:BCE)(NYSE:BCE) has a P/E ratio of 18. This means that on a relative basis, Rogers is more than twice as expensive as BCE and nearly 50% more expensive than Telus, holding all other factors equal.

As we know, holding all other factors equal is something for economists, and is also a foolish (not Foolish) approach for investors. While P/E ratios are useful for investors as a high-level measure of value, these statistics ignore growth fundamentals and risk assessments for the underlying businesses in the portfolio.

Rogers is a truly national telecommunications provider with Telus and BCE largely still regional providers, teaming up in some cases to provide national coverage for their LTE service, for example. Investors like national names, and likely attribute a lower risk profile to Rogers for the diversified nature of Rogers's business, its market share in Canada, and its impressive subscriber growth combined with an ability to generate increased revenue per customer (up from $58.54 last year to $59.96 this past quarter).

That said, Rogers seems expensive to me when analyzing some of the key fundamentals of the company with its peers. For example, comparing return-on-equity (ROE) and the operating margin to its competitors, we see the following:

	Rogers	Telus	BCE
Operating Margin	20%	20.6%	24%
Return on Equity	15.3%	15.8%	17.6%

New CEO now official

In related news, Rogers has received confirmation that the former CEO of Telus, Joe Natale, has been released from his non-compete and will be free to join the Rogers team in time for the company's annual general meeting on April 19, where he will also be appointed to the board. Mr. Natale has been widely credited with turning around Telus's customer service; poor customer service is something that has plagued Rogers for some time.

The early arrival of Mr. Natale to the Rogers team adds more fuel to the fire for Rogers's shareholders and the company's growth prospects moving forward. I remain on the sidelines on this name due to the value considerations, but I will be following how Rogers performs in the new "Natale era."

Stay Foolish, my friends.

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