Earnings Explode for 1 of Canada’s 20 Largest Companies: Time to Buy?

Description

For **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI), the recent massive earnings beat is only one of really two headline stories merged together. Picture: one of Canada’s most sought-after CEOs (Joe Natale) finding his way from **Telus Corporation** to Rogers, two large players in the Canadian telecommunications oligopoly that have proven to be very profitable over the years. The same quarter Mr. Natale becomes CEO, Rogers has an amazing quarter and blows estimates out of the water.

The story couldn’t have played out better for investors banking on a Natale-led turnaround of Rogers’s customer service component of the business, which has lagged its peers for some time, and something which Mr. Natale has experience with, having led a customer service-focused turnaround at Telus.

Strong management teams in publicly traded companies can often be the one factor that tips the scales in favour of one company over another; all large public companies give guidance; however, few consistently get it right over and over again. Natale has done well to get his term as CEO started off on the right foot, and investors seemed to have anticipated this performance, driving up the company’s share price nearly 7% over the past three weeks.

CEOs, like quarterbacks, tend to get too much praise in good times and too much criticism in bad times; It’s also important to remember that Rogers is only about one quarter into what some are calling a “Natale dynasty,” and the entire firm has a lot of work to do to implement the quality improvement measures Natale’s team will be looking to put in place, while controlling the cost side of the equation. That said, earnings of $1.03 per share compared to analyst estimates of $0.90 per share silences many critics and proves that the underlying base of Rogers’s portfolio of businesses is operating well.

Among the catalysts that led to the spike in profitability this past quarter were significantly improved subscriber growth numbers; there were 93,000 new subscribers last quarter. These numbers, along with the company’s average monthly revenue per user (increasing to $124.31 from $116.060) and improved churn rate (now at 1.05%, previously 1.14%) largely met or exceeded expectations (the spread was wider on these estimates), indicating solid performance across the company’s business segments.

Bottom line

I have been bullish on Rogers for some time now for a number of reasons, and the first results of the Natale era inspire additional interest in this company. That said, Rogers has remained very fairly priced for some time now, and much of the increased potential relating to short-term factors has been priced into this stock. As a long-term play, it may make sense to nibble away and buy on dips; however, I wouldn't necessarily bet the farm on this one right now.

Stay Foolish, my friends.

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