Why Rogers Communications Inc. Rose Over 1% on Thursday

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI), one of Canada's largest diversified communications and media companies, released its second-quarter earnings results before the market opened on Thursday, and its stock responded by rising over 1% in the trading session that followed. Let's take a closer look at the results and the fundamentals of its stock to determine if we should buy into this rally or wait for a better entry point in the trading sessions ahead.

A strong quarter of top- and bottom-line growth

Here's a chart of 10 of the most notable statistics from Rogers's three-month period ended on June 30, 2017, compared with the year-ago period:

Metric	Q2 2017	Q2 2016	Change
Adjusted net income	$514 million	$427 million	20.4%
Adjusted basic earnings per share	$1.00	$0.83	20.5%
Total revenues	$3,592 million	$3,455 million	4%
Adjusted operating profit	$1,410 million	$1,347 million	4.7%
Free cash flow	$626 million	$495 million	26.5%
Postpaid wireless subscribers	8.71 million	8.35 million	4.3%
Prepaid wireless subscribers	1.69 million	1.61 million	4.8%
Internet subscribers	2.19 million	2.08 million	5.3%
Television subscribers	1.77 million	1.85 million	(4.1%)
Phone subscribers	1.1 million	1.09 million	1.2%

What should you do now?

It was a great quarter overall for Rogers, and the results surpassed analysts' expectations, which called for earnings per share of $0.93 on revenue of $3.59 billion. With this being said, I think the market has reacted correctly by sending its shares higher, and I think it still represents an attractive investment opportunity for the long term for two reasons in particular.

First, it still trades at attractive forward valuations. Rogers's stock currently trades at 19.7 times fiscal 2017's estimated earnings per share of $3.29, which seems fair, but it trades at just 18.3 times fiscal 2018's estimated earnings per share of $3.55, which I think is inexpensive given its estimated 7.4% long-term earnings-growth rate.

Second, it has a great dividend with room for growth. Rogers pays a quarterly dividend of $0.48 per share, equal to $1.92 per share annually, which gives it a yield of about 3%. The company has also raised its annual dividend payment 11 times in the last 12 years, and I think its very strong growth of free cash flow, including its 34.8% year-over-year increase to $964 million in the first half of fiscal 2017, will allow it to announce another increase in the very near future.

With all of the information provided above in mind, I think Rogers represents an attractive long-term investment opportunity. Foolish investors should take a closer look and consider initiating positions today.

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