Should You Buy Rogers Communications Inc. Ahead of Earnings?

Description

One way for a company's stock price to break out of a range is with its earnings report. A good earnings report can mean the share price sees a big jump on earnings day, while a bad quarter can send the stock plummeting. **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) has its earnings coming up this month, and with its stock not showing a lot of movement the past few months, its quarterly results could certainly change that. Year to date, its share price is up 28%. I'll take a look at whether or not it is a good time to buy the stock before it releases its Q3 results.

How the company did last quarter and what to look for in the next earnings

Since its last earnings release back in July, the company's stock has increased only 3%, with returns being fairly flat the past quarter. In Q2, Rogers saw its lowest customer churn since 2009, as it has taken more of a focus on customer retention under new CEO Joe Natale, the previous **Telus Corporation** (TSX:T)(NYSE:TU) boss. One thing investors will be looking for in Q3 is if Rogers was able to maintain or even improve on its low churn rate.

The company also saw solid growth in its wireless segment, which was up 8%, and its internet services grew by 7%. With cord cutting continue to erode its cable subscribers, it will become paramount for Rogers to continue to build its other segments while trying to stop the bleeding from customers leaving for online services like **Netflix, Inc**.

How good of a buy is the stock today?

Currently, Rogers trades at over 33 times its earnings, and, compared to its peers, the stock is definitely expensive; **BCE Inc.** (TSX:BCE)(NYSE:BCE) trades at just 18 times earnings, while Telus is priced at a multiple of just 21. The share price for Rogers is also trading nearly six times its book value, and with it currently sitting near all-time highs, it might not have a lot of upside remaining, unless the company has a very strong quarter.

What do the technical indicators say?

Although the stock is not reaching an oversold status, it is creeping up to it, and the last time it did was when it reached its latest 52-week high. There is also no clear trend or strong momentum pushing the stock up, and it suggests to me the stock may continue to be stuck in a range.

Should you buy the stock today?

The telecom industry as a whole is facing some uphill challenges to grow its customers, and with **Shaw Communications Inc** (TSX:SJR.B)(NYSE:SJR) trying to steal wireless customers as well, competition might only become more fierce. Along with cord cutting continuing to increase, it will only become more challenging for Rogers to grow its sales. The stock already looks overvalued, and these factors certainly do not justify the share price trading at a big premium to other telecom providers. And with a dividend of less than 3%, Rogers offers the lowest dividend of the companies mentioned. Rogers is certainly a big player in the industry, but with an overvalued stock and limited growth opportunities, this is not an investment you should be making today.

CATEGORY

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3. NYSE:RCI (Rogers Communications Inc.)
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Author
djagielski