



Why Rogers Communications Inc. Fell 1.2% on Thursday

Description

Rogers Communications Inc. ([TSX:RCI.B](#))([NYSE:RCI](#)), one of Canada's largest diversified communications and media companies, announced its third-quarter earnings results and raised its full-year guidance Thursday morning, and its stock responded by falling 1.2% in the day's trading session. Let's break down the quarterly results and the fundamentals of its stock to determine if we should be long-term buyers today.

A quality quarterly performance

Here's a quick breakdown of 10 of the most notable financial statistics from Rogers's three-month period ended on September 30, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Wireless revenue	\$2,138 million	\$2,037 million	5.0%
Cable revenue	\$870 million	\$865 million	0.6%
Business Solutions revenue	\$97 million	\$95 million	2.1%
Media revenue	\$516 million	\$533 million	(3.2%)
Total revenue	\$3,581 million	\$3,492 million	2.5%
Adjusted operating profit	\$1,463 million	\$1,385 million	5.6%
Adjusted operating margin	40.9%	39.7%	120 basis points
Adjusted net income	\$523 million	\$427 million	22.5%
Adjusted basic earnings per share (EPS)	\$1.02	\$0.83	22.9%
Free cash flow	\$538 million	\$598 million	(10.0%)

Revised guidance for 2017

As a result of its strong operational performance in the first nine months of 2017, Rogers raised its guidance for full-year 2017 adjusted operating profit growth and net additions to property, plant, and equipment, while its guidance for free cash flow and revenue growth remained unchanged. Here's a breakdown of the company's new guidance compared with its previous:

Metric	Previous Guidance	Updated Guidance
Revenue growth	3-5% growth	3-5% growth
Adjusted operating profit	2-4% growth	5-6% growth
Additions to property, plant, and equipment	\$2,250 million	\$2,350 million-\$2,450 million
Free cash flow	2-4% growth	2-4% growth

What should you do with Rogers's stock now?

I think it was a strong quarter overall for Rogers, and it posted a great performance in the first nine months of 2017, with its revenue up 3.1% to \$10.51 billion, its adjusted operating profit up 5.4% to \$4.04 billion, its adjusted basic EPS up 24.4% to \$2.65, and its free cash flow up 14.4% to \$1.50 billion compared with the same period in 2016.

However, Rogers's third-quarter results came in mixed compared with analysts' expectations, which called for adjusted EPS of \$0.79 on revenue of \$2.9 billion, so I think that's why the stock posted a small decline in Thursday's trading session.

With all of this being said, I think Rogers represents a great investment opportunity for long-term investors for two fundamental reasons.

First, it trades at attractive forward valuations. Rogers's stock now trades at 19.5 times fiscal 2017's estimated EPS of \$3.38 and 17.9 times fiscal 2018's estimated EPS of \$3.70, both of which are inexpensive given its current earnings-growth rate and its estimated 8.4% long-term earnings-growth rate, and the latter of which is inexpensive compared with its five-year average price-to-earnings multiple of 19.8.

Second, it has a great dividend. Rogers pays a quarterly dividend of \$0.48 per share, equating to \$1.92 per share on an annualized basis, giving it a 2.9% yield. The company also has a history of growing its dividend, including 11 annual increases in the last 13 years, and I think its strong growth of free cash flow, including its projected 2-4% growth in 2017, could allow it to announce a slight dividend increase at some point in 2018.

With all of the information provided above in mind, I think Foolish investors should consider initiating long-term positions in Rogers Communications today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/27

Date Created

2017/10/21

Author

jsoliro

default watermark

default watermark