Why Rogers Communications Inc. Is Down Over 1%

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI), one of Canada's largest diversified communications and media companies, announced its fourth-quarter earnings results this morning, and its stock has responded by falling over 1% in early trading. The stock now sits more than 13% below its 52-week high of $70.08 reached back in November, so let's break down the results and the fundamentals of the stock to determine if now is the time to buy.

Breaking down the Q4 performance

Here's a quick breakdown of 10 of the most notable statistics from Rogers's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Wireless revenue	$2,189 million	$2,058 million	6.4%
Cable revenue	$871 million	$858 million	1.5%
Business Solutions revenue	$99 million	$96 million	3.1%
Media revenue	$526 million	$550 million	(4.4%)
Total revenue	$3,632 million	$3,510 million	3.5%
Adjusted operating profit	$1,340 million	$1,259 million	6.4%
Adjusted operating margin	36.9%	35.9%	100 basis point expansion
Adjusted net income	$455 million	$382 million	19.1%
Adjusted basic earnings per share (EPS)	$0.88	$0.74	18.9%
Operating cash flow	$1,142 million	$1,053 million	8.5%

2018 outlook

In the press release, Rogers also provided its outlook on fiscal 2018, calling for the following performance compared with fiscal 2017:

Metric	**2017 actual results**	**2018 outlook**
Revenue	$14,143 million	Increase of 3-5%
Adjusted EBITDA	$5,318 million	Increase of 5-7%
Additions to property, plant, and equipment	$2,436 million	$2,650-2,850 million
Free cash flow	$1,685 million	Increase of 3-5%

Is now the time to buy?

The fourth quarter was fantastic all around for Rogers, and it capped off a very strong performance in fiscal 2017, with its total revenue up 3.2% to $14.14 billion, its adjusted operating profit up 5.6% to $5.38 billion, and its adjusted basic EPS up 22.9% to $3.54 compared with fiscal 2016; with these great results and its very positive outlook on fiscal 2018 in mind, I think the market should have responded by sending its stock higher, and I think the weakness represents a very attractive entry point for long-term investors for two fundamental reasons.

First, it’s undervalued. Rogers’s stock now trades at just 17 times fiscal 2017’s adjusted EPS of $3.54 and only 16 times the consensus analyst estimate of $3.78 for fiscal 2018, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 20.3; these multiples are also inexpensive given its current earnings-growth rate and its estimated 5% long-term earnings-growth rate.

Second, it has a great dividend with room for growth. Rogers currently pays a quarterly dividend of $0.48 per share, equating to $1.92 per share on an annualized basis, which gives it a juicy 3.2% yield. The communications giant also has a reputation for dividend growth, including a streak of 11 consecutive years of increases that ended in 2015, and I think its very strong financial performance could allow it to announce a hike at some point this year.

With all of the information provided above in mind, I think Foolish investors should strongly consider using the post-earnings weakness in Rogers’s stock to initiate long-term positions.

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