Following Earnings, Is Rogers Communications Inc. a Buy on its Recent Dip?

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) is a company which has sold off more than 13% from its recent 52-week high following an earnings release which was met with general disappointment by the overall market. Given previously strong subscriber growth, management's recently released subscriber-growth numbers did not generally meet the expectation of many investors who were hoping Rogers would use its market position to chip away at market share in a relatively competitive market.

Market competition for companies such as Rogers has remained a significant concern for many investors and should continue to be a concern moving forward, as rivals continue to ramp up spending to lure customers away from large players such as Rogers. As fellow Fool contributor David Jagielski has pointed out, however, due to Rogers's position as a member of Canada's oligopoly that is the wireless industry, the ability for Rogers to raise prices as a way of combating slowing growth could be viewed very positively.

Few companies and few sectors have the sort of pricing power that Rogers has in the telecom/wireless sector in Canada, and as such, this wide moat has continued to be one of the focal points of many long-term investors who are eager to hold on to Rogers for a very long time.

Investors also seem to be exhibiting concerns about the company's dividend growth, with many anticipating Rogers would have hiked its dividend following its most recent earnings call. The decision of Rogers's management team to hold the company's dividend was one which can be viewed from two different perspectives.

From a growth standpoint, income investors certainly have reason to be unhappy with Rogers. However, Rogers's dividend of approximately 3.2% remains a relatively juicy yield for income-focused investors, and from that standpoint, buying shares of Rogers on this recent dip and receiving a nice dividend yield while waiting for capital appreciation to accumulate over time may not be a terrible strategy.

Bottom line

I have been bullish on the Canadian telecom/wireless sector for some time now due to the relatively insulated nature of the industry and the wide moat companies like Rogers have, which protects them from new entrants and the threat of lower prices. That being said, Canadians currently pay among the highest prices in the developed world for the services Rogers provides, meaning Rogers will certainly need to continue to focus on growth with a lessened reliance on price increases moving forward.

At current levels, Rogers appears to be trading at a discount; however, I would suggest investors consider all other options in the telecom sector before jumping on Rogers today.

Stay Foolish, my friends.

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