Can Rogers Communications Stock (TSX:RCI.B) Double Your Money?

Description

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is a Canada-based wireless communications heavyweight. It also provides cable television, media, and internet services to clients. So, is the stock a good "buy" at the current price? Does it have enough upside potential to generate exponential returns?

Rogers just reported underwhelming quarterly results

Shares of Rogers Communications fell over 6% on October 23 after the company reported its third-quarter results. Revenue fell marginally by 1% year over year to $3.75 billion due to a 2% fall in wireless service sales.

While cable revenue was up 1%, internet sales rose 7% and was the primary revenue driver in Q3. Rogers also reported adjusted earnings of $1.19 in the September quarter. Analysts expected Rogers to report sales of $3.87 billion with earnings per share of $1.31 in the third quarter of 2019.

The wireless business was impacted by the faster-than-expected subscriber adoption of the Rogers Infinite unlimited data plan. This plan was launched in the second quarter and has around a million subscribers.

The company stated that data overage fees accounted for 5% of wireless sales. In the September quarter, overage revenue fell by $50 million due to the above-mentioned reason. Rogers expects 80% of overage revenue will be eliminated by Q3 of 2020 and will then account for just 1% of wireless sales.

Rogers' media release stated, "Overage revenue declines and related blended ARPU impacts are expected to occur over the next four to five quarters compared to an initial expectation of six to eight quarters."

But investors were worried after the company revised its growth forecasts for 2019. It has estimated sales to be flat this year, compared to an earlier estimate when it forecast sales growth between 3% and 5%.

Analysts estimated the company to grow sales by 1.4% in 2019 to $15.31 billion.

Will 5G be a key driver?

Though Rogers is investing heavily in 5G, this transition is still a few months away. The shift to 5G will be a key revenue driver for Rogers and peers over the next two years. It has partnered with **Ericsson** in the 5G segment.

Analysts expect Rogers to accelerate revenue growth to 2.4% in 2020 and to touch $16.03 billion by 2021. Its earnings are expected to rise at a compound annual growth rate of 6.6% in the next five years.

Compare these growth rates with Roger's forward price-to-earnings multiple of 13 and we can see that the stock is trading at a premium even after accounting for its forward dividend yield of 3.1%.

Roger's shares have risen by an annual rate of 6.3% in the last five years, compared to its annual earnings growth of $10.5 in the same period. Will Roger's double your investment? Well, the stock took around a decade to double from $31 per share in November 2009 to $62 in June 2017. Though it touched a record high of $73.82 earlier this year, it is currently trading at $62.

Rogers is not a stock that will beat the market. It is a tech giant that will provide a stable stream of returns via dividends. Analysts have a 12-month target estimate of $75 for Roger which is 21% higher than the current price.

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Date
2025/08/25

Date Created
2019/10/27
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