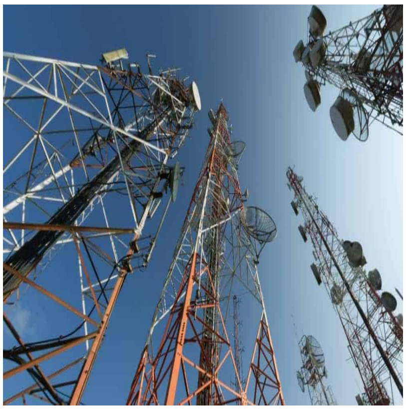

Is Rogers Communications Stock a Buy Today?

Description

Down 4.6% so far on its latest report, **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) could definitely be in worse shape. Investors clearly value this business and are bullish on its recovery. Eagle-eyed contrarians and value investors alike may be disappointed that there wasn't more of a dip. However, current shareholders and would-be holders of long positions should feel vindicated.

A heavy-hitting dividend stock

A 3.6% dividend yield is on offer from this multimedia giant. There's certainly a value thesis for buying this quality name, after a profits plunge and 22.5% losses year on year. While certain 2020 telecom stressors have already been pointed out, seeing a 90% drop in roaming revenue adds to the contrarian case for buying Rogers stock.

But is this a name to hold for the long term? Given its standing in the sports and sports media world as well as its one-third telco market share, the answer has to be a strong yes. There could well be more pain in the near term, however. Indeed, with profits down 53% in the second quarter, Rogers has quite the hole to climb out of. Roaming charges in particular are likely to be slow to recover, given the pandemic.

Expect a frothy second half to 2020

From travel restrictions to reduced media business (Rogers saw a Q2 revenue decline of 50% in this area), Rogers is looking at a tough resumption of 2020. Bad debt is also an issue for Rogers, with its wireless segment remaining something of a concern. But with market ratios that undercut the wireless sector averages, this is a big name with an attractive valuation. It could also come back stronger.

As CEO Joe Natale stated: “We saw notable impacts across all of our businesses as sales and new business activity essentially ground to a halt.” However, he also added that, “These metrics are COVID-19 specific and do not reflect our underlying fundamentals, nor do they diminish our long-term growth prospects.”

Indeed, there are definite bright spots in Rogers’s outlook, now that Major League Baseball and the National Hockey League are getting up and running again. Investors should focus on the positives and look beyond that 17% year-on-year drop in quarterly revenue. Prospective Rogers shareholders have a strong play on value here, with the chance for steep capital appreciation upon an economic recovery.

As with other sectoral losses during 2020’s Q2, telecom businesses are likely past the worst of the pandemic. This also brings the corollary that Rogers has much to gain from a return to pre-pandemic travel. Instead of seeing that 90% loss of roaming revenue as a negative, contrarians should view it as future growth potential. Down 4.6% this week, Rogers’s report has opened up a tempting value opportunity.

Investors should bet on improving consumer confidence as the year wears on. As the general public resumes shopping and economy opens up, Rogers has much to gain. This “comeback charisma” makes Rogers a solid play for contrarians with a relatively smaller appetite for risk. When the relief rally finally breaks, Rogers is one beaten-up name that will reward bold investors.

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