Why Rogers Communications Stock Is a Post-Earnings Buy

Description

"Take me out to the ballgame, take me out with the crowd…"

Investors looking for exposure to sports media – and indeed to the teams themselves – have a solid play with **Rogers Communications** (TSX:RCI.B)(NYSE:RCI). While this week has seen a pullback amid M&A headline blur, a longer-term growth thesis has emerged. This is a wide-moat business well positioned for growth. And while one obvious takeover bid may have failed, further growth-by-acquisitions opportunities could be forthcoming.

A growth stock with comeback potential

As usual, sports drove a lot of internet search traffic this week. Seeing the Dodgers win the World Series offered a blast of nostalgia, while also affording sports fans a taste of how a recovery could feel. It was the first time the Californian team became world champions since 1988. The return of sports has been a welcome ray of light during the pandemic, and a reminder of what normal life feels like.

But is the MLB in a slump, and could it affect Rogers' bottom line? Unfortunately, the answer to both questions seems to be "yes." The MLB lost an estimated US$3.1 billion this year. It's not hard to see how these losses accumulated, given a shorter season and fan-free games. Indeed, the pandemic has a lot to answer for. Among them is the disappointing outcome for team owners and media partners from the return of baseball.

Rogers has been front and centre in this letdown. The owner not only of the Toronto Blue Jays, but also the media channels that rely on games for revenue, Rogers has lost 12.7% over the last 12 months. The fact that these losses are nowhere near the levels sustained by worst-affected **TSX** names is a testament to Rogers' huge market share. But that red ink highlights a significant danger in the sports space.

Go long for wide-moat market dominance

Investing in Canadian sports culture doesn't get any more focused than Rogers. Throw in a recovery rally, and you have a solid upside thesis. And while the **Cogeco** takeover bid has been resisted, it shows that Rogers is in acquisitions mode – and that it has potential partners in strategic places. That merger is falling by the wayside, but Rogers clearly has growth in mind.

Post-earnings, Rogers was down by a couple of percentage points midweek. This is despite beating EPS by around 37%. Investors should have fist-pumping the air with glee. But by Friday the stock was down 7% across five days of trading. That post-earnings dip suggests that shareholders may have been expecting a takeover breakthrough. Investors bullish on a sports comeback therefore still have a chance to build a position on weakness.

Rogers is in growth mode. For this reason, and several others, 2021 could be a good year for shareholders. It's clear that Rogers has its sights set on broadening its already wide economic moat. From cable to wireless, sports media to sports teams, Rogers is in a unique position. Investors should take any pullback in this name as an opportunity to build a long-term position for multi-year growth.

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