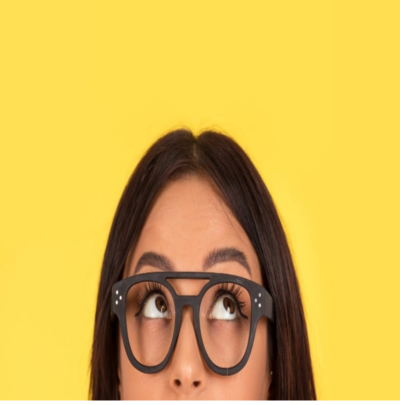

Rogers Stock Drama: Should You Buy Now?

Description

Rogers Communications (TSX:RCI.B)(NYSE:RCI) stock was one of the worst performers on the **TSX**, falling close to 6% yesterday alone. Looking at the longer-term chart, the big telecom stock has declined meaningfully by approximately 16% from its 52-week and all-time high. Why is it important to point out it's a dip from its all-time high? This fact suggests that the dividend stock moves higher over time versus making an all-time high years ago.

You want to buy safe dividend stocks when they dip to lock in a bigger dividend yield. The dip in Rogers stock could be a buying opportunity. However, further volatility and correction in what should be a stable stock can ensue, because the latest selloff has to do with an issue that could drag on for some time.

Rogers stock's latest selloff

The big telecom stock's latest selloff has to do with its board members battling each other between two groups. On one side is Edward Rogers, who was removed from the chair of the board. He then decided to pick new board members, replacing five in the process, to support his re-election to the position. Of course, existing board members, disagreed. Edward's faction intends to bring this matter to the court to support his claim to the chair. This creates heightened uncertainty in the company and the underlying stock.

How cheap is Rogers stock?

This drama aside, how cheap is the big telecom stock? Assuming its 2019 business results are the normal performance, Rogers stock trades at roughly 13.6 times normalized earnings. This is a discounted valuation for the large telecom that's expected to grow its earnings per share by approximately 6% per year in the long run. If I must put a percentage to it, I would say the dividend stock is discounted by roughly 15-20% at $56.55 per share at writing.

Let’s compare the big Canadian telecom stocks

You’ll only know which is better by making comparisons. Historically, Rogers Communications has posted more volatile earnings than **BCE** and **TELUS**. However, it had displayed growth spurts, as it did from 2016 to 2018. So, Rogers stock could be a good investment if you plan to buy low, sell high, and actually succeed in the market timing.

Rogers Communications doesn’t have the DNA to maintain consistent dividend increases, unlike BCE and TELUS. Even though it had the financial means to increase its dividend, management chose not to do so from 2016 to 2018 and in 2020 and this year. That said, it might not be a coincidence that the company experienced a growth spurt between 2016 and 2018. Maybe the company was expecting to see another multi-year growth spurt soon.

In any case, you can consider Rogers’s dividend to be safe. In recent trading, it provided a decent yield of 3.5%.

The Foolish investor takeaway

No one really knows how long the board battle will last. If it dissipates, the stock will likely pop right back up. However, if the issue drags on or worse, escalates, the dividend stock will likely experience more pressure. The stock is probably a good buy for long-term investment, though. If you want a piece of Rogers stock, the best course of action would be to average in your position strategically, such as buying in thirds.

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1. Dividend Stocks
2. Investing

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