Should You Buy the Dip in Rogers Stock?

Description

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is one of the largest telecommunications companies in Canada. The stock has plunged 6.9% week over week as of early afternoon trading on October 26. Its shares have now dropped 7.4% in the year-to-date period. Earlier this month, I'd discussed why this top telecom stock looked undervalued. Is it still worth buying the dip in Rogers?

How has the Rogers internal power struggle played out so far?

A bitter family dispute over control at Rogers has led to major volatility for the stock in recent weeks. Edward Rogers, the son of the late company founder Ted Rogers, has sought to remove CEO Joe Natale and shake up the company's executive team. However, those plans have been actively opposed by Rogers's sister and mother and other members of the board of directors. That led to his replacement as corporate chairman.

In response, Edward Rogers said he would use his 97.5% voting power in the Rogers Control Trust to replace five board directors with his own appointees. Ultimately, it appears that the rift will almost certainly end in court. The intense rift has shaken shareholders and damaged the brand in the near term. It also comes as Rogers aims to close a $16 billion takeover of **Shaw Communications**.

The company posted improved earnings this month

Back in September, I'd recommended Rogers as a top stock to consider for Canadian investors. However, the telecom has lagged its top peers like **BCE** and **Telus** in key growth metrics. Moreover, the COVID-19 pandemic was a major blow to revenue streams that included wireless roaming and professional sports. These segments have received a boost, as restrictions have gradually been lifted in the spring and summer of 2021.

The company released its third-quarter 2021 results on October 21. It delivered Wireless postpaid net subscriber additions of 175,000 in the quarter. Moreover, Wireless service revenue grew 3% and posted adjusted EBITDA growth of 2%. Better yet, Rogers's Media returned to profitability and delivered a positive adjusted EBITDA of $33 million.

Overall, total revenue rose 5% in the first nine months of 2021 to $10.7 billion. Meanwhile, adjusted net earnings rose to $1.31 billion, or $2.59 per share — up from $1.22 billion, or $2.39 per share, in the prior year.

Beyond these results, the company has also made solid progress in its efforts to bolster its 5G performance. Indeed, it was awarded top marks in the country for 5G Reach, 5G Availability, 5G Voice App Experience, 5G Games Experience, and a tie for first in 5G Upload Speed by the data analytics firm Opensignal. This area will be a key measuring stick for top telecoms going forward.

Should you buy the dip in Rogers today?

Rogers stock last had a favourable price-to-earnings ratio of 17. Shares of the telecom stock possess an RSI of 30. That puts Rogers in technically oversold territory at the time of this writing. It also offers a quarterly dividend of $0.50 per share. This represents a 3.5% yield.

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