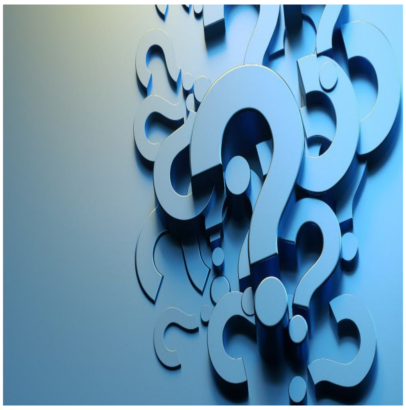

Is Rogers Stock a Value Pick Right Now?

Description

Incorporated in 1960, **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) is among the most well-known and established companies in Canada. This telecommunications giant is based in Toronto, servicing approximately 2.3 million internet subscribers and 10 million wireless subscribers. Accordingly, Rogers's market capitalization of $22.7 billion, while warranted, may suggest there's little value to be had with this name.

I disagree. This company is among the most valuable in Canada for a reason. Let's dive into whether Rogers fits into the "value" box for most investors.

Service outage and merger issues provide black eye

Let's start with the bear case, shall we?

Earlier this month, Rogers encountered a massive network outage, forcing over 10 million customers off their wireless or internet services. The 19-hour service outage had frustrating to potentially dangerous consequences.

The outage led to the disruption of banking services, and some businesses could only accept cash in lieu of debit payments, which were down.

This outage has complicated what's expected to be a fairly tough antitrust regulator review for the company's **Shaw Communications** acquisition. A previous action brought forth by regulators looking to nix the deal has resulted in Rogers pushing back its timeline for completing the merger to the end of the year. Right now, there remains healthy skepticism around whether this transaction can go through.

Accordingly, Rogers stock is one that's certainly not without risk. This is reflected in the company's lower-than-typical multiple of 17 times earnings at the time of writing.

The brighter side

Despite the concerns many investors have with Rogers, there are reasons some (myself included) think there could be value here.

Besides the attractive multiple and solid defensive cash flows Rogers produces, insider buying activity has signaled tremendous interest in this stock from those closest to the business. Over the past year, some significant purchases took place at prices higher than today's levels. Furthermore, reports indicate that insiders own nearly 1% of the stock of this company, suggesting there's some real "skin in the game," relative to other large Canadian companies.

Additionally, there are indications that a spinoff of Shaw's Freedom Mobile unit for $2.85 billion is in the works. This deal will provide a solid cornerstone for Rogers's argument to regulators that this combination won't result in lower competition in the telecom space and higher prices for consumers.

On the outage front, Rogers is doing its best to assuage concerns that this was a one-time event. Credits were provided to customers, and billions of dollars of investments in infrastructure have been planned to avoid such outages in the future. While these investments may hurt profitability in the near term, stability appears to be a key focus for the company moving forward.

Bottom line

Indeed, Rogers has its hands full dealing with a number of large issues right now. The extent to which these issues can be ironed out with little damage to shareholders remains to be seen.

However, at this valuation, I think Rogers stock looks very attractive. With a yield of 3.4%, investors get paid to be patient. In this environment, that's a great thing.

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