



Rogers Communications: Looking for Dividend Growth in the Canadian Telecom Industry

Description

The Canadian telecom industry is made up of only a few key players, all of which are great dividend payers. We're going to zero in on **Rogers Communications** ([TSX: RCI.B](#)) and see how its future expected dividend growth compares to its peers, namely **Telus** ([TSX: T](#)), **Shaw Communications** ([TSX: SJR.B](#)) and **BCE** ([TSX: BCE](#)).

Dividends

Rogers has increased its dividend for an impressive eight consecutive calendar years. Telus has a streak of 9 years, Shaw has a streak of 10 years, and BCE has a streak of 4 years. A look at Rogers' impressive dividend growth is charted below.

Rogers Dividends

Dividend growth

Rogers' most recent quarterly dividend increase occurred in March. The company hiked the payout by 10.1%, from \$0.3950 to \$0.4350. Dividend growth rates over a selection of periods are provided below.

Rogers dividend growth

Given that Rogers only initiated a dividend in 2003, which led to explosive early growth, a go-forward rate more like the 1-year or 3-year average is more probable than the longer term figures.

Dividend sustainability and expected future dividend growth

To get a better idea of potential dividend growth at Rogers we can look at past payout ratios and estimated future earnings.

Payout Ratio

Rogers' payout ratio in the most recent fiscal year was 48.5%. To compare, Shaw and BCE carried payout ratios of 58.7% to 65.5% respectively. Telus was in between at 60.2%.

Just because Rogers had the lowest payout ratio doesn't necessarily mean that its dividend will grow the most, of course. If we look at the chart below a trend is evident over the past five years that suggests that Rogers doesn't want to increase its payout ratio much beyond current levels.

[Rogers payout ratio historic](#)

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The payout ratio for the past five years has been around 50%-60%.

It's reasonable to assume that Rogers will try and maintain a similar level to its five-year average (50%-60%) going forward.

Estimated Future Earnings

Analysts are currently estimating that Rogers will grow its EPS at 4.4% annually for the next five years. It's best to take these estimates with a grain of salt — a lot can happen in five years — but analyst estimates can still be useful when trying to guess at future dividend growth rates (the key word being *guess*).

As illustrated in the table below, based on Rogers' previous payout ratios and estimated future earnings, it seems reasonable to assume that the company will raise its annual dividend at a rate of around 4.2% to 8.0%.

[Rogers Div growth estimates](#)

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Competitors' expected future dividend growth

Rogers quarterly dividend of \$0.4350 currently has it sitting with a yield of about 3.6%. Tabled below is summary of the current yield and estimated dividend growth rate (calculated by using a similar methodology as employed in the table above) for Rogers and its peers:

Company Name	Current Yield	Est. Annual Growth
Rogers	3.6%	4.2-8.0%
Telus	3.6%	8.0-11.1%
BCE	4.9%	4.0%
Shaw	4.4%	5.2-8.5%

Telus appears to be the winner when it comes to expected dividend growth. These estimates are in-line with the company's estimated growth of 10% per year.

Final thoughts

Rogers Communications has increased its dividend at a good pace over the years, and can be expected to continue to do so (especially if the Blue Jays can get their act together!).

Although Rogers appears to be a good dividend growth candidate, Telus is probably the more certain option as they've stated that they plan on increasing their dividend annually by 10% for the next three years. If you're looking for dividends however, you've come to the right sector.

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The original version of this post was created by Fool contributor Michael Weber.

Fool contributor Michael Weber owns shares of Telus and BCE. The Motley Fool has no positions in the stocks mentioned above.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)

4. TSX:SJR.B (Shaw Communications)
5. TSX:T (TELUS)

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