3 Reasons to Add Rogers to Your Portfolio

Description

There's an old saying that a truly great business is one that can be successful even when its customers aren't happy. After all, if these customers haven't left for a competitor, there must be something about the business that keeps them coming back. These are the situations that investors should be looking out for, because it really helps make future earnings more predictable.

Unfortunately for investors, and fortunately for consumers, these situations are not very common. But there is one example that should jump to everyone's mind: **Rogers Communications** (TSX: RCI.B)(NYSE: RCI). Below we look at three reasons why you should buy the company we all love to hate.

1. Stability

Of all the sectors in the Canadian stock market, this is one where revenues and earnings are especially predictable. This is mainly due to a subscription-based pricing model with fairly low turnover — for example, only 1.24% of Rogers Wireless customers deactivated their service in an average month last year. This certainly makes life easier for Rogers than for a company that has to keep reselling its product every month.

Furthermore, Rogers has only two major competitors, making future revenue even more secure. The Canadian government is trying to increase this number to three, but even then the industry should be able to maintain its price discipline.

2. New ideas

Despite these advantages, Rogers can only abuse its customers so much. New CEO Guy Laurence has made improving the customer experience a top priority after "neglecting our customers over the years." He even compared the company's current practices to cold spaghetti: messy and difficult to pick apart.

Mr. Laurence's overhaul will move all customer service functions into one department, and will also include a management shuffle. The good news is that Rogers has plenty of room for improvement. If the company is able to get better, that should be very welcome to both customers and investors.

3. Cheap price

Rogers has had some mediocre quarters recently, and as a result trades at a discount to its peers. To illustrate, Rogers trades at about 14 times trailing earnings, while both **BCE** (TSX: BCE)(NYSE: BCE) and **Telus** (TSX: T)(NYSE: TU) trade at close to 20 times earnings.

There is little to no justification for this gap. The three companies all have very similar business models and are facing the same environment. But one of them just seems to be more unpopular than the others right now, and that is the kind of opportunity we should be looking for.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

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