



## Buy Rogers Communications and Get These 3 Hidden Assets

### Description

The last year hasn't exactly been friendly to shareholders in **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)).

Shares of the beleaguered telecommunications giant have lagged competitors significantly, falling almost 4% over the past 52 weeks. This compares to **BCE** ([TSX: BCE](#))([NYSE: BCE](#)), which is up more than 12%, and **Telus** ([TSX: T](#))([NYSE: TU](#)), which leads the group by posting a 19.7% gain over the last year.

A few things have kept Rogers Communications' shares down. Last summer, the company sold off as the market speculated that **Verizon** was about to enter the Canadian market, which would finally give both consumers and the government the elusive foreign competitor that both were hoping for. Luckily for the incumbents, it was not to be, as Verizon focused its attention elsewhere.

Rogers was also an aggressive purchaser of spectrum during the last Canadian auction, spending \$3.3 billion to acquire coveted 700 MHz licenses, which will improve both access and speed for its wireless customers. Analysts were mostly concerned with the price tag paid for the assets, as it was almost universally agreed that the company overpaid.

And finally, the company's wireless results have been weak. Rogers has failed to grow its customer base, just holding steady as Telus has reported strong gains. Mostly thanks to these poor results, the most recent quarter saw profits fall more than 10% compared to last year.

It's not all bleak for Rogers, however. According to Barry Schwartz of Baskin Financial Services, the company is sitting on at least \$5 billion worth of hidden value. If Schwartz is right, that represents an additional 20% upside for investors. Here are the three ways he thinks Rogers can unlock shareholder value.

#### 1. Sell its stake in Cogeco Cable

Through a somewhat complex ownership structure, Rogers owns a significant piece of **Cogeco Cable** ([TSX: CCA](#)). Between that minority interest and several other smaller ownership stakes, Schwartz

believes that Rogers is sitting on close to \$1 billion worth of assets that it should sell.

## 2. Maple Leaf Sports and Entertainment

Along with BCE, Rogers purchased a 37.5% stake in MLSE back in 2011, paying more than \$500 million for its stake in the Toronto Maple Leafs, Raptors, and Toronto FC soccer team. Rogers also owns the Toronto Blue Jays, and the Rogers Centre in downtown Toronto. It's an impressive collection of sports assets.

Based on recent speculation that embattled Los Angeles Clippers owner Donald Sterling is about to get \$2 billion for his team, Schwartz thinks Rogers' owned teams are being significantly undervalued by the market. If Rogers sold its sports assets today, while the market is hot, Schwartz speculates they could be worth more than \$2 billion.

## 3. Monetize its cell towers

Schwartz saves his most interesting idea for last, saying that Rogers should spin off its more than 6,000 cell towers into a publicly traded entity.

In the United States, a company called **American Tower** owns more than 68,000 towers and has a market cap north of \$35 billion. This values each tower at right around \$500,000. If Rogers spun off its towers and the market each one at \$400,000 each, it would give this new company a value of \$2.4 billion.

If the company did manage to unlock \$5 billion worth of value, it could take that cash and use it to pay down debt, or reward shareholders with dividend increases or share buybacks. It could even use the capital to make acquisitions, or perhaps strengthen its presence out west, where the company is notoriously weak.

Considering Rogers' underperformance over the last year, I think this could be a good entry point for the stock. Shares yield a generous 4.2%, and the company trades at just 14 times earnings, which is a significant discount to its peers. The stock continues to languish near its 52-week low. If Schwartz is right, investors who get in now should be rewarded.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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