3 Reasons Rogers Communications Inc. Belongs in Your Portfolio

Description

The past few years have been wonderful for investors, with both the Canadian and U.S. markets enjoying steady gains. However, that creates a problem. Underpriced stocks are very hard to find, and as a result the market may be headed for a correction.

That being said, not all stocks have kept up with the market's torrid pace, and some of them may now be trading very cheaply. A good example is **Rogers Communications** (TSX: RCI.B)(NYSE: RCI), whose shares are down nearly 12% so far this year. Below we take a closer look at three reasons to buy the telecommunications giant.

1. Fantastic assets

This is something that could be said about any of Canada's big three telecommunications providers. However, Rogers in particular has a set of franchises, properties, and rights that ensure the company's long-term health. In addition to having Canada's largest wireless communications franchise and its cable television business, Rogers owns a large swath of media and entertainment assets, including various TV channels and the Toronto Blue Jays baseball team.

The company has also been investing aggressively to upgrade these assets. In February, Rogers was the most aggressive bidder in the 700MHz wireless spectrum auction. Last year, Rogers won the rights to all National Hockey League games in Canada for a hefty price tag of $5.2 billion.

These kinds of actions are crucial to the company's long-term success, but since they don't generate any immediate impact, the market tends to underestimate their significance. Over time though, shareholders could benefit immensely.

2. The right plan

One of the main problems with Rogers has been its lacklustre customer service, and this has finally caught up with the company. New CEO Guy Laurence said it best, claiming that Rogers has been "neglecting our customers over the years."

However, Mr. Laurence is cleaning this up, and is making improved customer service a top priority. He is even moving all customer service functions into one department. Once again, this will take time to produce tangible results, so the market may not fully appreciate it. Over time, though, shareholders could easily reap the benefits.

3. A good price and dividend

Thanks to the share price slump, Rogers trades at only 14.7 times earnings, not a big number for a company with such stable revenue and promising growth plans. In comparison, **BCE** (TSX: BCE)(NYSE: BCE) trades at 19 times earnings, and **Telus** (TSX: T)(NYSE: TU) trades at 18.2 times earnings.

Also thanks to the lagging share price, Rogers has a healthy 4.3% dividend yield, so shareholders may not only get rewarded handsomely in the long run, but also get paid a decent amount while they wait.

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)

Category

1. Investing

Date
2025/09/13
Date Created
2014/07/31
Author
bensinclair