5 Reasons to Buy Rogers Communications Inc.

Description

Rogers Communications Inc. (TSX: RCI.B)(NYSE: RCI) has never been that well-liked by its customers. Recently it hasn't even been popular with its shareholders either — the stock price is down 12% this year alone.

However, there are reasons to consider adding the stock to your portfolio. Below I take a look at the top five.

1. Strong, stable revenue

Rogers makes money from subscription-based services, which allows revenue and earnings to remain fairly steady. Better yet, the company operates in an industry with limited competition and high barriers to entry. This dramatically decreases the risk of investing in the company's shares.

To illustrate, total revenue increased by 0.4% in 2012 and 1.8% in 2013. Other metrics, such as subscriber counts, have also shown slowly rising numbers. So with this company, you know what you're getting.

2. Quality assets

Rogers has a portfolio of assets that cannot be replicated by any competitor. It owns Canada's largest cable network and wireless business, numerous television channels, and other media assets.

Better yet, the company is aggressively adding to its portfolio. Last fall, it paid over $5 billion for broadcast rights to the National Hockey League. Earlier this year it emerged as the big winner in Canada's most recent wireless spectrum auction. Rogers paid heavy prices in both cases, but the company is clearly positioning itself for the long term and shareholders should eventually see the benefits.

3. The right turnaround plan

As any Canadian will tell you, Rogers is well known for frustrating its customers. It's amazing that so many people have stuck with the company — this speaks to its strengths as a business.

However, there is good news for both customers and shareholders. Rogers is devoting itself to reforming its customer service practices after, in the words of CEO Guy Laurence, "neglecting our customers for years". The changes even involve the company's organizational structure.

Like the asset purchases, it's not easy to gauge the short-term impact of this initiative. Over the long term, though, it's the right thing to do, and shareholders should eventually be thankful.

4. A cheap price

Thanks to its share price lagging, its shares are trading at only 15.2 times earnings, a lower multiple than those of both its large peers. In comparison, **BCE Inc.** (TSX: BCE)(NYSE: BCE) trades at over 18 times earnings.

5. A healthy dividend

This last point really ties the other ones together. Because Rogers has such consistent earnings and a promising future, it is able to devote the bulk of its income to dividends — and because its shares are trading cheaply, this dividend has a yield of 4.2%.

In today's investing climate, it is not easy to find a dividend yield this strong from a company this reliable. For example, dividend yields from top utility and pipeline companies are well under 4%.

At the end of the day, Rogers is a company you can count on, has a bright future, and trades at a discount. You can't ask for much more than that.

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