Why You'll Be Kicking Yourself if You Don't Buy Rogers Communications Inc.

Description

"Buy low and sell high."

We've all heard that expression a million times before. It's practically synonymous with the stock market.

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Then why is it so hard to do?

Humans just aren't wired to go against the crowd. We naturally want to be accepted, so we tend to just go along with what others say. This desire for acceptance has played an important role in the evolution of our species, since it tends to go hand in hand with building relationships with others. By being agreeable with our family and friends, we build a support group that in the past would protect us from physical dangers, while protecting us more from psychological trauma in today's world.

Going with the crowd is a good idea, most of the time. Except investing. Going with the flow generally isn't a good way to invest.

If everyone in the market already likes a stock, it's going to be pushing up against new highs. Even though we know the key to success is buying when everyone else hates a name, we just can't go against the crowd and do it. We're naturally drawn toward the high flyer, convinced if we buy when it's high we can sell it when it goes higher.

Sure, that could work. But investors who go against the crowd have a better chance of getting market beating returns.

Rogers Communications Inc. (TSX: RCI.B)(NYSE: RCI) is just that kind of stock. Since September 2012, Rogers has had a pretty anemic performance, giving investors a paltry 6% annual return (excluding the dividend). Compare that to competitor **Telus Corporation** (TSX: T)(NYSE: TU), which has given investors nearly 20% a year once you include its dividend.

And if you compare Rogers to the TSX 60, it lagged even more, as the index of Canada's largest companies rose more than 30% over the last two years.

Why has the company underperformed? It started when the market seemed all but certain **Verizon** was about to set up shop in Canada. When the sector got the good news that Verizon was going to stay south of the border, both of the company's competitors recovered, while Rogers languished.

Then it was revealed that Rogers spent $3.3 billion acquiring new wireless spectrum, a number so high analysts all pretty much agreed the company overpaid. Then it shook up senior management, laying off a bunch of people and bringing in a new CEO.

And most importantly, sales started to weaken. Rogers still retained the crown of being Canada's largest wireless provider, but Telus has done a terrific job steadily gaining ground.

Why exactly would I recommend the company at today's levels? Because the market hates it.

Rogers has been quietly fixing its problems behind the scenes. New CEO Guy Laurence actually spent time working in retail outlets, and discovered that the company had so many promotions going on that staff often didn't bother to learn them all. He spearheaded an effort to simplify wireless promotions and improve customer service in an attempt to win back market share.

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Partnering with **Shaw Communications**, Rogers also launched Shomi, a Netflix-type feature available to current cable subscribers for an additional $8 per month. Shomi isn't about to make a huge difference, but it will help keep current subscribers from cutting the cord.

Plus, the company has a stellar track record of taking care of shareholders. Not only does it pay a generous 4.1% dividend, but it's bought back more than 60 million of its own shares since 2010, decreasing the size of the float by more than 10%.

Shares have been strong lately, rising nearly 10% since they hit 2014 lows in July. You could take a chance and wait for another pullback, but I don't think that's a good idea. Buy shares now and tuck them away for a few years. I think you'll be pretty happy with that choice.

CATEGORY

1. Investing

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