3 Reasons to Buy Rogers Communications Inc.

Description

Thanks to somewhat weak results, continued performance from its competitors, and pressure from the threat of rising interest rates, shares of **Rogers Communications Inc.** (TSX: RCI.B)(NYSE: RCI) have been pretty poor performers so far in 2014. Excluding dividends, shares have fallen nearly 11%, underperforming the **TSX Composite Index** by nearly 20%. And during the same time, the company has also underperformed its rivals by approximately 15%.

Considering the headwinds the company is fighting against, it's obvious why investors are bearish about the stock. But will they continue? Or will management fight through the adversity, and usher in a new era of prosperity and a much higher share price? I think investors should bet on the latter. Here are three reasons why.

1. Great dividend

It's not very often investors can find a stock yielding above 4% with a terrific history of dividend growth, but that's exactly what Rogers provides.

Since the end of 2009, the company has raised the dividend five times, to the tune of 43% higher. That's a growth rate of nearly 7.5% annually. And since the company's payout ratio is comfortably in the 60% range, as long as it continues to grow the bottom line, it'll have no reason not to increase the dividend right along with it.

When it comes to investing in a dividend stock like Rogers, I like to do a little test. I look at the share price over the last five years, and determine the company's yield when it trades at a 52-week high, and when it trades at a 52-week low. I look at the range of numbers provided, and compare the yields to today's level.

Since 2010, the company's dividend has swung between a 3.21% and a 4.49% yield. Currently, shares yield 4.26%.

Based on that criteria, income investors are buying at an almost five-year "low." It seems like a pretty good entry point to me, especially for investors looking to get paid.

2. Turning around operations

Although the company still remains Canada's wireless leader with a market share approaching 35%, lately Rogers has been feeling the pressure from **Telus Corporation** (TSX: T)(NYSE: TU). Telus has done a terrific job signing up customers and keeping them satisfied, leading to less churn.

This led to Rogers' management taking a long, hard look at its wireless operations. It turns out it was a bit of a mess. The company ran so many promotions that employees couldn't keep track of them all. Employees would often recommend plans that weren't ideal for the customer, leading to a nasty surprise a few months later when the customer did some digging on their own. Additionally, customer service just wasn't up to the same level as competitors were offering.

These issues are being addressed. Sure, it'll take time to turn the ship around, but it's obvious management is serious about doing what it takes to win back some of those customers.

3. A great business

While focusing on the short-term problems, investors often forget what a lucrative business Rogers is in.

Not only is the company insulated from new competitors thanks to protectionist Canadian laws, but it's also in an extremely expensive sector to enter. Startup home phone and internet operators are nothing but a nuisance. There's always the risk that a fourth national wireless player enters Canada, but it's going to be tough to go up against such established incumbents. It'll cost billions to even secure a small part of the market. It's little wonder why foreign wireless carriers don't seem very excited about entering Canada.

It's not often investors can get a company with a moat as strong as Rogers for this cheap. Add in the dividend and the impressive dividend growth, and it's an easy decision. Rogers Communications should be part of your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TU (TELUS)
3. TSX:RCI.B (Rogers Communications Inc.)
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