



Why Now Is the Time to Buy Rogers Communications Inc.

Description

When it comes to choosing one of Canada's telecom giants for their portfolio, many investors may view the so-called "Big 3" as almost the same entity. They might take a cursory look at each company's P/E ratio or its growth rate, and then decide on which company to choose. Or, perhaps investors might dig a little bit to determine what each company is doing to achieve growth. But ultimately, I'd say a lot of us view the telcos as somewhat interchangeable.

There's a quite a bit of truth to that. Each company has a wireless division, a television division, and a division that delivers home phone and internet services. **Telus Corporation** ([TSX: T](#))([NYSE: TU](#)) doesn't own any media properties, but the others do. And when it comes to the services offered to consumers, they're all pretty much the same.

But that doesn't mean you should randomly pick a telecom out of the proverbial hat and decide to own it. Let's take a closer look at why **Rogers Communications Ltd.** ([TSX: RCI.B](#))([NYSE: RCI](#)) deserves to be in your portfolio.

One chart says a thousand words

Most of the great investors have a similar piece of advice — successful investing comes from buying low and selling high. Buying when a stock is out of favor can lead to market beating returns over the long run.

And right now, Rogers is easily the most hated stock in the sector. Both Telus and **BCE Inc.** ([TSX: BCE](#))([NYSE: BCE](#)) are hitting fresh 52-week highs as investors scared of further market volatility move back into the sector. Rogers, meanwhile, still trades within 10% of its 52-week low.

Rogers hasn't helped its market sentiment either. It keeps showing disappointing wireless results, routinely getting trounced by Telus when it comes to subscriber growth. It overpaid for wireless spectrum earlier this year, at least according to a few analysts. And new CEO Guy Laurence has even admitted that the company's retail stores are a bit of a mess. These problems are just enough to weigh on the stock.

This underperformance has been going on for years. Since the end of the Great Recession, Rogers has significantly underperformed its peers. The stock has basically gone nowhere since 2012. Part of the underperformance is because the company did so well during the five years before the Great Recession, and partially because of the aforementioned problems.

When I look at this chart, I don't see bad news for Rogers. I see a buying opportunity. I see the opportunity to acquire shares in Canada's wireless leader for a significant discount to its peers. I see a company that has better upside potential than its competitors as well.

And you're paid to wait

It will likely take time for Rogers to turn things around, but I'm confident management will eventually right the ship.

In the meantime, you're getting paid a terrific dividend to wait. Shares currently yield an attractive 4.2%, especially in this low yield world. The company's dividend growth record is solid as well, with the quarterly payout increasing from \$0.29 per share in 2009 to \$0.46 per share today. The dividend payout ratio is the lowest of its competitors as well, coming in at 70% of the company's net earnings. This means a dividend hike of 10% or more could be coming in 2015.

I know it seems bleak, but Rogers's problems aren't so bad. By buying this company while it's in the penalty box you could be setting yourself up for some nice outperformance over the next five years.

Or, perhaps you're more interested in our TOP PICK for 2014, 2015, and beyond. Check out the report below.

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1. Investing

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