



Earn Steady Dividend Income From Hamilton's \$700 Million Forever Asset: Rogers Communications Inc

Description

"We're getting screwed." John told me, "How is this even legal?"

John is one of my old college buddies. Over the weekend, we met at a coffee shop to catch up.

At one point, our conversation turned to his cable bill. It had nearly doubled since he bought his home in Hamilton, Ontario a few years ago.

However, where John (and frankly most people) sees a headache, I see one of the most valuable assets in Canada. Each year, revenues creep up a little. And every month, the owners collect hundreds of thousands of dollars.

The best part is, this cable company — which has already pocketed millions — is willing to split the profits with us. Some investors have already collected thousands of dollars in dividends. Let me explain.

Hamilton's \$700 million forever asset

The business is called Mountain Cablevision, which provides television service to thousands of Hamiltonians. With a price tag at over \$700 million, it's one of the most valuable companies in the city.

You, like most TV subscribers, probably hate your cable company. But if you look at things from the perspective of an investor, there's no better business in the world... especially if you like collecting globs of dividend income. Here's why:

In essence, the business is like a toll bridge. The cable company connects viewers with content (the bridge) in exchange for a fee (the toll). Every month, Mountain Cablevision charges a toll. And every year, the company raises its prices.

Few customers care about higher prices. That's because, for many, their bills are paid automatically. And even if they do grumble about growing fees, switching between cable companies is too much of a

hassle.

Mountain Cablevision isn't impacted by oil prices or recessions. The company's cash flows are as steady as bond coupons. Television is one of the last bills people cut when times get tough.

And while the business requires a big upfront investment, it's not that costly to maintain. Once installed, the cables just sit there. Maintenance costs are a tiny fraction of revenues; the rest can be paid out to its owners.

Better yet, there's little competition. Hamilton has three cable providers each with their own territory. There's nothing to stop another firm from competing. However, no one chooses to do this because the costs are so high.

For Hamiltonians, their only reprieve is to turn off their televisions and watch their favourite shows online. However, connecting to the Internet still requires a cable. And guess what? Mountain Cablevision owns this business, too.

If you can't beat em', join em'

Mountain Cablevision is perfect for investors who want to earn steady dividend income. Unfortunately, you can't invest directly in this business. However, you can buy shares in the company that owns it: **Rogers Communications Inc** ([TSX: RCI.B](#))([NYSE: RCI](#)).

Rogers owns dozens of television and Internet businesses just like Mountain Cablevision. Because these assets are gushing so much cash, the firm pays investors a juicy 4.0% dividend yield. And I expect that distribution to keep growing in the years to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)

Category

1. Dividend Stocks
2. Investing

Date

2025/07/26

Date Created

2014/12/08

Author

rbailieul

default watermark