Is Rogers Communications Inc. Still a Safe Dividend Investment?

Description

It hasn't been a very good first year on the job for **Rogers Communications Inc.** (TSX: RCI.B)(NYSE: RCI) CEO Guy Laurence. Over his tenure, the company's shares have fallen by 6%. Meanwhile, the stock of rivals **BCE Inc.** and **Telus Corporation** have risen by 11% and 10% respectively.

What exactly is going on? Is Rogers in trouble?

Weak numbers

To put it mildly, Rogers has a history of frustrating its customers, and this year these habits seem to be catching up with the company. Both Bell and Telus have been stealing wireless customers, and Telus in particular has been doing a better job of keeping them happier too.

To illustrate, last quarter 1.3% of wireless subscribers canceled their subscription in an average month at Rogers. That number was less than 1% at Telus.

Financial numbers have been disappointing too. Last quarter, revenue grew only 1% and profit fell by over a quarter. One unnamed company insider said these "numbers he's [Mr. Laurence] putting up are very weak."

Longer term, the story is better

So far, Mr. Laurence seems to have some slack. And for good reason – he has only been CEO for a year, not nearly enough to put his stamp on the company. To illustrate, he has made improving customer service a big priority, but that will take years to implement effectively.

There are other reasons why the future looks brighter. For example, the company has made some big investments recently. Last year it signed a $5.2 billion deal with the National Hockey League, and this year it spent over $3.3 billion at Canada's wireless spectrum auction. The company certainly paid full price in these deals, but they should pay big dividends longer term.

Is Rogers still a safe investment?

Even with all these problems, Rogers competes in a very stable industry. Just look at the past three years – from 2011 to 2013, Rogers posted annual revenue of $12.4 billion, $12.5 billion, and $12.7 billion respectively. This kind of steadiness can also be seen at Rogers' competitors.

And its dividend is very manageable – Rogers pays out only $1.83 per year per share to shareholders. This past year, despite all its struggles, EPS still exceeded $2.60. So there is practically zero chance of the dividend being cut any time soon.

Best of all, thanks to the lagging share price, Rogers shares yield a healthy 4.0%, about in line with the higher-yielding Canadian banks. And it should be obvious that Canadian banks are a lot more risky than Rogers.

CATEGORY

1. Dividend Stocks
2. Investing

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