1 Simple Reason to Buy Rogers Communications Inc. in 2015

Description

For shareholders of **Rogers Communications Inc.** (TSX: RCI.B)(NYSE: RCI), 2014 wasn't a great year.

While **Telus Corporation** (TSX: T)(NYSE: TU) and **BCE Inc.** (TSX: BCE)(NYSE: BCE) both had healthy gains in their share prices — up 14.2% and 15.6%, respectively — Rogers didn't fare so well, as shares actually fell, ending the year more than 5% cheaper. Even over the past five years, Rogers has underperformed its competitors, only rising some 45%, compared to more than 93% for BCE and 153% for Telus.

At least in 2014, there was a simple reason for the company's underperformance. Although it remains firmly entrenched as Canada's leading wireless provider, Rogers continues to slowly lose market share, especially to Telus. While Telus continues to post great numbers and record low churn rates, Rogers has to take steps like sending out its CEO into some of its wireless stores to figure out what the problem is. One company is firing on all cylinders, while the other driving a golf cart that backfires.

Meanwhile, BCE spent 2014 further consolidating its empire, taking private the 44% of Bell Aliant it didn't already own, spending nearly $4 billion in the process. The transaction is expected to add approximately $500 million in cash from operations to BCE's coffers going forward.

While Telus was delivering great results and BCE made an exciting acquisition, Rogers just sort of stood pat in 2014. It spent pretty aggressively to acquire spectrum earlier in the year, and finally begun its tenure as the official coast-to-coast broadcaster of NHL games in Canada, a deal that came with a price tag of $5.2 billion over 12 years. You can make the argument that those are both good long-term deals, but often things like that aren't very exciting to an investor base that focuses on the short-term.

Even though the future looks a little brighter for its competitors, my top choice in the telecom sector for 2015 is Rogers Communications, and for one really simple reason.

Since the company has done poorly, it's likely to rebound and beat its competitors going forward.

As I said above, the last five years saw Rogers underperform its peers. The five years before that was a completely different story, with shares of Rogers almost doubling during that period, while BCE just barely ended the period above water with a 4% gain. Telus performed even worse, actually losing more than 8% of its market value between 2005 and 2009.

After doing so well for investors, is it any wonder Rogers struggled over the next period? As much as we'd all like it to happen, stocks just don't go up forever. They'll spend years languishing, trading in a certain range before eventually surging higher. Rogers has done so for years now, just like Telus and BCE did during 2005-2009.

But eventually those types of stocks tend to break out, and the cycle reverses itself again. Nobody can be sure when it'll happen, but history shows us that eventually it does.

For shareholders of Rogers, waiting isn't the worst thing. After all, the company pays a dividend of more than 4%, a payout very easily supported by earnings. And since telecom is considered a pretty stable sector, investors can look forward to a share price that will likely outperform when the market tanks, an attractive quality during the late stages of this bull market.

Rogers is the kind of dividend stock that you buy and stick away for a few years. If you do that for 2015, I think you'll be pretty happy with the results come 2020.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date
2025/07/26
Date Created
2015/01/02
Author
nelsonpsmith