3 Reasons to Buy Rogers Communications Inc.

Description

Last year was not a very good one for **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI). Under new CEO Guy Laurence, the company posted some disappointing numbers, and as a result the company's shares lost 6% of their value. By comparison, Rogers' two chief competitors each saw their shares rise by about 15%.

But there is light at the end of the tunnel. On Thursday, Rogers reported adjusted earnings of $0.69 per share, beating analyst estimates by 5 cents. The company also raised its dividend by 5%.

So is now the time to jump in? Well, below we look at three reasons why now is the time to buy Rogers shares.

1. A very stable business

Being a Canadian investor is a frustrating experience these days. Energy companies are getting killed, as are miners. The banks have been struggling, and also face a very uncertain future. Are there no good, solid, reliable companies in this country?

Well, if you're looking for safety, the big three telecommunications providers are a great place to start. After all, they don't face much competition, and are protected by very high barriers to entry. Better yet, they make subscription-based revenue, which makes revenue and earnings even more stable.

In fact, since 2009, Rogers' revenue has grown slightly each year, from $11.7 billion to $12.8 billion. Not a lot of companies will give you that kind of consistency.

2. Better longer-term prospects

Over the past 15 months, Rogers has made some very big moves. It started in November 2013, when it signed a 12-year, $5.2 billion broadcast deal with the National Hockey League. Then in February of last year, it paid $3.3 billion in Canada's wireless spectrum auction, far more than either of its rivals. And throughout last year, the company was overhauling its customer service operations.

None of these initiatives were expected to produce results immediately. But over time, the NHL deal should help keep cable customers from “cutting the cord”. The wireless spectrum should help the company compete very strongly in the wireless space. And overhauling customer service should eventually help prevent customers from switching to competitors.

3. A discounted share price

Over the past 12 months, Rogers has posted adjusted earnings of just under $3 per share. So with a share price of ~$45, the company trades at about 15 times earnings. By comparison, **Telus Corporation** (TSX:T)(NYSE:TU) trades at 19.0 times earnings, and **BCE Inc.** (TSX:BCE)(NYSE:BCE) trades at 19.5 times earnings. The latter two companies are certainly more popular with investors, which may be why they trade at a premium.

But Rogers may have turned the corner, and with a dividend now yielding over 4.2%, shareholders should see better days ahead. It may be a good idea to join them.

If you’re looking for other stable dividend stocks, be sure to check out the free report below.

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