3 Reasons Why Rogers Communications Inc. Deserves a Spot in Your Dividend Portfolio

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) shareholders must be getting pretty frustrated by now. Over the last couple of years, the company's shares are down by more than 16%. Meanwhile, **Telus Corporation** and **BCE Inc.** have gained 24% and 18%, respectively.

So, does this mean dividend investors should dump Rogers? Well, not necessarily. Below we look at three reasons to continue collecting dividends from this company.

1. Still a telecom

Over the past few years, Rogers has struggled mightily. Customers have been losing patience, and many are leaving altogether. The government is ramping up regulations on telecom providers, hurting companies like Rogers in the process. Meanwhile, alternatives to subscription-based television are gaining popularity, hurting Rogers' cable TV offering.

In most industries, this kind of story would spell disaster. But Rogers operates in a very secure industry, one where competition is limited and barriers to entry are high. Better yet, customers are often locked in multi-year contracts, so even if these people are upset, they won't leave in droves.

If you don't believe me, just look at Rogers' numbers over the past three years. From 2012 to 2014, the company's total revenue went from $12.5 billion to $12.7 billion to $12.9 billion. Clearly this is a very steady business, even during its toughest years. I can't think of a better formula for a reliable dividend.

2. Some prized assets

Shareholders have gotten tired of seeing poor numbers from Rogers, and for good reason. That said, the company's long-term prospects are much brighter.

Let's start by looking at the wireless segment. About a year ago, Rogers paid over $3 billion in Canada's 700 Mhz wireless spectrum auction. This spectrum was seen as critical for building out a powerful wireless network, since waves at this frequency are better-able to reach places like elevators and underground parking lots. So, Rogers should have a compelling wireless offering for years to come.

It gets better. Just over a year ago, Rogers paid more than $5 billion for National Hockey League broadcast rights. This should help sustain its cable TV numbers, since sports fans tend to be more loyal to traditional television offerings (I know this first-hand).

Rogers arguably overpaid in both these deals, but my point remains the same: in the long term, the company has some very compelling offerings. Shareholders should continue to count on a solid dividend.

3. A lack of alternatives

Let's face the facts: the Canadian stock market is a barren wasteland for dividend investors. There are a couple of reasons why.

First of all, too many of our dividend payers are in risky sectors, like energy and mining. Many of these companies have cut their dividends recently, and their future is uncertain, too. Second, interest rates remain incredibly low, which is boosting demand for dividend stocks. As these stock prices rise, yields naturally fall.

In this context, a 4.4% dividend from Rogers seems pretty good to me.

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1. Dividend Stocks
2. Investing

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bensinclair