Dividend Investors: 3 Reasons to Own Rogers Communications Inc. Stock

Description

When you compare this year's stock performances of the largest telecom operators in Canada, **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) is a clear winner.

Other competitors aren't even close to the 24% surge which Rogers posted so far in 2017.

Here are the top three reasons which, I think, are behind this stellar performance by Rogers and that provide confidence for investors to remain upbeat about the company's future outlook.

Growing share of the wireless market

Rogers is Canada's second-largest telecom company, but it has the largest market share of the country's growing wireless segment, dominating about a third of the market's revenue and subscribers.

Rogers drives about 57% of its revenue from the wireless segment of its business. This segment has been under pressure since **Shaw Communications Inc.** acquired Wind Mobile last year, challenging the dominance of the "Big Three" players.

But data from the company's second-quarter earnings report show that Rogers is doing a good job of adding new wireless subscribers

The company posted an 8% growth in service revenue from its wireless segment, which was the highest since 2009. Postpaid net additions were 93,000, up 28,000 when compared to the same period a year ago.

Rogers surprised many investors who were expecting a tough road ahead at a time when competition from smaller companies was heating up.

New management, new strategy

The appointment of the new CEO Joe Natale this April is another factor that made investors excited about Rogers stock. A former executive from **Telus Corporation**, Natale has been focusing on improving the company's customer service and reducing the higher churn rate.

Improving customer experience is very important for the company at a time when the battle to retain and add news customers is heating up.

And it seems Natale's new strategy is working. In the second quarter, the churn rate remains substantially lower at 1.05% with the postpaid churn declining nine basis points — the lowest since 2009.

Is a dividend increase next?

Rogers's stock currently offers an annual dividend yield of 2.98%, the lowest among the Big Three telecom operators. Rogers hasn't increased its dividend since the first quarter of 2015, when it boosted its quarterly payout by 5% to $0.48 a share.

It's high likely that the company will boost its payout in the coming quarters if it continues to perform with its new growth strategy and gains more share in the crucial wireless market.

Some analysts are also speculating that Natale will unlock more value for the company's shareholders by spinning off some of its media assets, like Telus, which doesn't own TV and sports content.

The bottom line

Rogers stock provides stable income in the form of dividends and has great upside potential. Dividend investors who want to buy and hold Rogers stock are likely to benefit, despite valuations that are a little expensive at this time.

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