The Best Telecom Growth Stock That Could Soar in 2018

Description

When comparing the performance of the top telecom stocks in Canada, no company has come close to what **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) has delivered.

Surging 31% this year, Rogers's stock is close to capping one of the best years at a time when its competitors are struggling. Here are the top three reasons that continue to propel this telecom stock higher.

Growing wireless segment

Canada's wireless market is the real battleground for the largest telecom operators since **Shaw Communications Inc.** upped the ante after acquiring Freedom Mobile and started to invest heavily to improve its network quality.

It seems Rogers has been able to counter this threat quite well. Its wireless division once again surprised investors when the company announced the third-quarter earnings and boosted its full-year guidance.

Revenue from the wireless division jumped 5% to $2.1 billion, led by a 7% increase in service revenue. During this period, the company added 129,000 net post-paid subscribers — the highest rate in eight years.

Overall, Rogers's adjusted operating profit increased 6% to $1.46 billion, while adjusted net income jumped 22%.

New management

Rogers's improving metrics show that the new management has been able to meet the expectations.

The company's new CEO Joe Natale, who joined the company this year after leaving competitor **Telus Corporation** in 2015, has focused on improving the company's customer services to retain customers.

The third-quarter results show that Natale has been able to turn the corner on this front. Rogers's customer churn rate improved 10 basis points — its lowest level in eight years for this period. Improving wireless customer churn rate is a strong indicator that customers are not willing to switch to other operators.

On the back of these positive developments, Rogers now expects adjusted operating profit to rise 5-6% this year from the previous guidance of 2-4% improvement.

Dividend hike?

For Rogers, another big milestone to achieve, and a very important one for income investors, is to increase its dividend payouts. Rogers hasn't hiked its dividend since the first quarter of 2015, when it boosted its quarterly payout by 5% to $0.48 a share.

With a dividend yield of 2.83%, Rogers Communications offers the lowest return among the top three operators.

But the company plans to reinvest the higher cash it is generating to improve the quality of its networks. I think this is the best strategy at a time when the competition is heating up in Canada's wireless market.

The bottom line

Trading at $67.71 a share at the time of writing, the stock seems a bit expensive. But for long-term investors, this is also a good time to make the entry when the management is doing all the things right and setting the stage for future growth.

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