



Which Is the Best Telecom Stock to Own in 2019?

Description

[Telecom utilities](#) make one of the best cash cows. These companies that provide telecom infrastructure to millions of customers have already spent billions of dollars on their network and it's very hard to break their dominance.

In Canada, we have top four players that control most of the market while operating in an oligopoly environment. If you want to add a top telecom stock to your income portfolio, this might be a good time to make that move after the recent pullback in their share values. Here is my top pick for 2019.

Rogers Communications

Toronto-based **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) 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 I believe the company's strong business model, its revenue diversification and aggressive marketing strategy will keep it ahead of all other players in the years to come. The company's financials prove that the operator is well positioned to beat other competitors when it comes to producing the biggest total share price gains.

In October, [Rogers Communications](#) boosted its financial targets for the year, fueled by the continuing subscriber demand for wireless data and its superior customer service tactics. In the third quarter, its wireless business brought in revenue of \$2.3-billion, up 6% from the same period last year. The adjusted EBITDA at the division rose by 8% to \$1.1-billion.

For the whole year, Rogers now expects to report adjusted EBITDA growth of between 7-9%, up from a previous range of 5-7%.

The appointment of the new CEO Joe Natale earlier this year has proved a good bet for the company. A former executive from **Telus Corporation**, Natale has been focusing on improving the company's

customer service and reducing the higher churn rate.

Mainly a growth play

One disadvantage of owning Rogers stock is that the company offers one of the lowest dividend yields among the top four operators. To some investors, that could be a make-or-break factor, but I think this is also a plus point for Rogers.

The company still sees a lot of growth in the business and, therefore, is deploying a lot of capital in new projects, especially on the 5G, the next generation of network and on improving its customer service.

Rogers' stock currently offers an annual dividend yield of 2.75%, but in terms of total returns, its shares have produced the highest return in its group, beating both its competitors and the benchmark index.

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.

Rogers' stock provides stable income in the form of dividends with good upside potential. Long-term investors who want to buy and hold Rogers stock are likely to benefit, despite its smaller payout.

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TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. NYSE:SJR (Shaw Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:RCI.B (Rogers Communications Inc.)
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