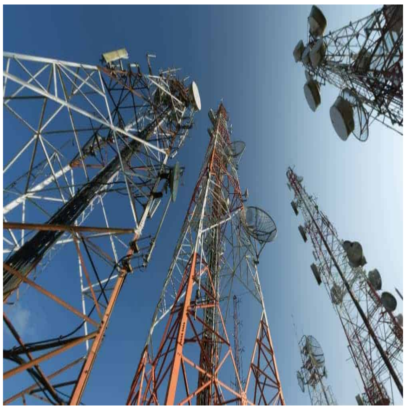

This Big 3 Telecom Has Done Something Incredible

Description

Canada's telecoms, particularly the Big Three, share much in common. They share so much in common that it's part of the reason why a new entrant into the big telecom world is turning so many heads and forcing the incumbent Big Three to change their ways and offer more value to their customers.

One telecom that has surprised most investors over the past year is **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), and while Rogers's product offerings haven't evolved that much in the past year, the company has pulled off an incredible turnaround that arguably could warrant a position in your portfolio.

To be clear, several years ago, Rogers had a large amount of debt, a lacklustre product offering, and few competitive advantages over its peers apart from its large wireless network. For investors, the stock paid a handsome dividend but did little excite anyone around growth.

How different is Rogers today?

Here's where things get interesting. Knowing that the company had a debt, retention, and value problem, it began a multi-year process several years ago that included putting a hold on dividend hikes, paying down its growing debt, working to re-orient its focus on customers, and devising products and services that hold true value for consumers while jettisoning those that don't. Rogers even brought on a new CEO with a well-documented experience in putting the customer first.

The results have been phenomenal.

In the past year alone, we've seen Rogers offload its magazine business, which followed a thinning of that segment that occurred back in 2016. In a similar vein, Rogers also launched its widely anticipated X1 video DVR service, which offers voice-enabled searching and cloud-based integration with other popular video-streaming services. That followed Rogers killing its own home-grown internet streaming product several years earlier.

The company has also worked feverishly at adding more value to its existing services, such as boosting internet speeds and hiking data allowances for wireless subscribers, with the success of those efforts indicated in recent subscriber numbers that appear to show the strongest growth in nearly a decade.

With all of that success behind it and a renewed vision of where the company is heading, Rogers also provided a bump to its quarterly dividend earlier this year — the first such hike in several years — and while the company has stressed that paying down debt and investing in growth will take precedence over annual upticks, it's not hard to see Rogers resuming further dividend hikes in the future to reward shareholders.

Rogers's currently quarterly payout provides a yield of 2.97%, which still pales in comparison to its peers, but investors contemplating Rogers should view the stock as a growth first and dividend second type of investment that has significant long-term potential.

CATEGORY

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