This Top Dividend Stock Has Gotten 7% Cheaper: Time to Buy?

Description

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is a top dividend stock to hold over the long run. 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 60% of its revenue from the wireless segment, 26% from its cable division, which includes high-speed internet, information technology and telephony services to consumers and businesses, and the rest from its vast media assets.

But that dominance is coming under threat amid cut-throat competition in the wireless market. Rogers told investors yesterday that it added fewer net wireless subscribers in its fiscal second quarter as a price war escalated.

The biggest sign of this pain was visible in the number Rogers provided for its postpaid net subscriber, a key metric for telecom companies. Rogers added 77,000 subscribers under this head, short of analysts' estimates of 99,250.

Sales also missed analysts' forecast, coming in at $3.78 billion, while revenue at the wireless division rose just 1% to $2.24 billion as Freedom Mobile, a small but growing competitor, added its market share.

Accounting to *Bloomberg* data, Freedom Mobile in the first quarter had captured 37% of the new postpaid subscribers signed up by the top four Canadian telecom providers. Rogers's market share of industry net adds declined to 13% from 35% in the same period.

This stiff competition and declining sales have also impacted Rogers's share price, which has fallen about 7% from the 52-week high, leaving the stock almost unchanged so far this year.

Despite this negative backdrop, I still find Rogers a better telecom stock than its rivals. The main reason I like Rogers is that the telecom operator is ahead of competition in rolling out the next generation of telecom services.

In the country's first auction in April for airwaves that will support fifth-generation (5G) technology, Rogers invested more than $1.7 billion for the 600-megahertz airwaves, including 100% of the available airwaves in southern Ontario, a densely populated region on top priority for any telecom provider.

The company is getting ready to deploy 5G, technology with various acquisitions across the country. It has partnered with mobile telecom equipment maker Ericsson for 5G trials in Toronto and Ottawa, among other cities.

Bottom line

Rogers stock has got much attractive after its recent pullback. Trading at $69.34, the stock yields about 3% and pays $0.5 dividend quarterly. On total-return basis, I see investors will be much better off in owning Rogers stock.

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