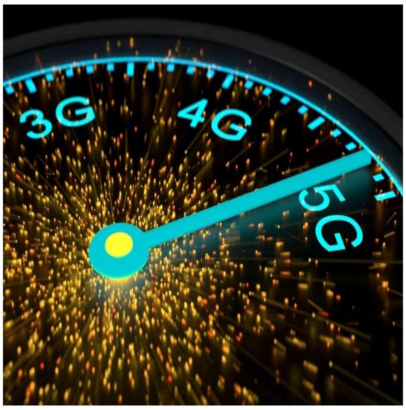

TFSA Investors: 1 Top 5G Stock for Your Portfolio

Description

5G technology is awaited with bated breath. It is supposed to be game changing for individuals, even more so for enterprises. So, it is inevitable that the demand for 5G technology will be a key driver to a company's revenue.

TFSA investors now have a domestic heavyweight that is directly linked with 5G. Last year, **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) announced a partnership with network communications company **Ericsson** in the 5G space. Ericsson is one of the major networking players along with **Nokia** and China's Huawei.

Rogers's chief technology officer Jorge Fernandes stated, "We're setting the table to lead on 5G with the right infrastructure, spectrum, partners and investments, so we're ready when the ecosystem is ready." He added, "Ericsson has helped pioneer the 5G infrastructure across North America, so we couldn't think of a better company to support the reliable and consistent network that our customers will use today and in the future with the performance and consistency they expect from us."

Strong revenue and earnings growth

The mass deployment of 5G technology is still some ways away, and it will be a key revenue driver for RCI and peers for several years. Let us see what analysts expect from RCI in the upcoming fiscal years.

While RCI has managed to increase sales from $13.7 billion in 2016 to $15.1 billion in 2018, analysts expect the company to grow sales by 1.6% to $15.33 billion in 2019, 2.5% to $15.72 billion in 2020, and 2.2% to $16.06 billion in 2021.

Analysts also expect company earnings to grow by 2.3% in 2019, 8.3% in 2020, and at an annual rate of 6.6% in the next five years. Compare this to the stock's forward price-to-earnings multiple of 13.5, and we can see that the stock is overvalued, even after accounting for its dividend yield of 3%.

The stock has gained 53.3% in the last five years when earnings rose at an annual rate of 10.5%.

A domestic heavyweight

While investing in Rogers Communications is less than exciting, it will provide a steady stream of dividend income without too much volatility. The three-year beta for RCI stands at 0.08, which makes it a solid pick during a downturn. Sometimes boring is much better.

Rogers Communications is valued at north of $30 billion and is among the top three biggest telecom players in the country. The Wireless business accounts for 60% of sales, followed by Cable and Media segments at 26% and 14%, respectively. In 2018, Wireless continued to be the key revenue driver for RCI.

Wireless sales were up 7.4% last year compared to the overall sales growth of 5%. Though wireless customer growth declined from 122,000 in the June 2018 quarter to 77,000 in the June 2019 quarter, RCI continues to lead the overall wireless market share in the country.

Though there were concerns over this decline, Rogers Communications attributed the fall to overall market softness. The company also offered fewer incentives or promotional deals that hindered growth.

Weak wireless growth has resulted in a 10% pullback for RCI investors since the start of July 2019. Analysts remain optimistic and have a 12-month average target price of $75.55 for Rogers Communications. This is 16% higher than the current stock price.

RCI stock might move lower in the coming months due to its expensive valuation metrics. But it should be on the radar of long-term investors at every major dip.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)

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