Why You Need to Hold This Stock for a Decade

Description

Balancing out a portfolio with growth and income-producing stocks is something that every investor should take into consideration. Unfortunately, we often focus our efforts too much on classifying stocks as growth or income-generating investments, leading us to ignore a number of great investment options that can cater to both goals.

One such investment option is **Rogers Communications** (TSX:RCI.B)(NYSE:RCI). Let's take a moment to talk about why Rogers belongs in your portfolio.

Breathing new life into a tired model

Rogers is one of the largest telecoms in Canada, with wired, wireless and internet subscription options that blanket the country. In addition to that traditional subscription-based telecom offering, Rogers also boasts a sprawling media empire that includes everything from radio and TV stations to professional sports teams and stadiums. In other words, the Rogers brand is everywhere.

Unfortunately, investors have steered away from Rogers in recent years. Part of the reason for that was the telecom's lack of dividend growth and concerns over the company's debt. That weakness is reflected in Rogers's growth when compared to its peers. So far in 2019, Rogers's Big Three peers have managed to see gains of 5% and 20%, while boasting handsome dividends with established annual bumps that already offer a yield of nearly 5%.

By way of comparison, Rogers offers a quarterly payout that just shy of 3%, while the stock has dropped 7% so far in 2019. Adding to that, Rogers has hiked its dividend just once in the past few years — a decent uptick that came earlier this year.

Why mention Rogers?

Rogers suspended dividend hikes several years ago to focus on paying down debt, improving its churn rate to keep existing customers, and advancing its product offering to attract new customers. It was a gutsy move, which so far has shown progress, albeit slow progress.

In the most recent quarter, Rogers saw increases across the board. Revenue realized a 1% uptick over the same period last year to $3,780 million. Adjusted EBITDA saw an impressive 9% uptick over the same quarter last year to $1,635 million, while net income of $591 million was a 10% improvement over the $538 million last year.

On a per-share basis, Rogers posted diluted earnings of $1.15 per share — an improvement of $0.11 per diluted share over the same period last year. The gains were largely attributed to gains in the wireless segment, which witnessed a 3% increase in revenue and 77,000 new postpaid subscribers.

Here's my takeaway

Rogers isn't the blinking marquee-type of investment screaming "Buy me now!" The company is working on (and progressing) in becoming a more disciplined and profitable investment option. In the same vein, the dividend is solid but is not going to grow at the same rate as its Big Three peers — at least for the moment. As Rogers's financials continue to improve, so too will its dividend.

In other words, Rogers is for the patient investor that is looking for long-term gains. The fact that the stock is down when compared to its peers presents a unique buying opportunity to realize growth and income-earning potential that is safe, recurring, and, over that long term, growing.

Buy it, hold it, and revisit it in a decade or more.

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