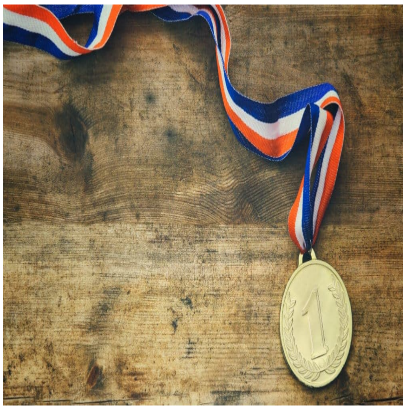

# Is Rogers Communications (TSX:RCI.B) Stock the Best Telecom to Buy Today?

## Description

The telecom sector is one that used to be mostly discretionary, but thanks to technology and our way of life increasingly dependent on communication and networking, it has become a staple of our economy.



This makes investing in telecoms essential, especially because the companies that exist are large and well established, giving them natural stability to protect your investment.

In Canada, the industry is mostly dominated by the Big Three. **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) is one of those companies.

It is the largest wireless provider in Canada, and Rogers itself gets most of its business from the wireless segment, with wireless making up 60% of its revenue, followed by cable at 26% and media at 14%.

The earnings before interest, taxes, depreciation, and amortization (EBITDA) of Rogers is weighted slightly different though, as 67% comes from wireless, 30% comes from cable, and only 3% comes from media.

Its media assets serve a dual purpose however, giving the company a platform to advertise its products on, while integrating media services and offers into cable and wireless contracts.

It had to revise some of its guidance numbers slightly downward recently, but it responded by also reducing its guidance for capital expenditures by a small amount as well. Still though, it's guiding toward a 3-5% increase in EBITDA.

Although its revenue was flat in the third quarter compared to the same quarter last year, its adjusted EBITDA grew by 6%, showing its increased profitability.

The wireless division, which did $9.2 billion in revenue last year, operates through three brands: Rogers, Fido, and Chatr.

This allows Rogers to capture a larger portion of the market from high-priced premium services at Rogers Wireless to low-cost budget contracts at Chatr. In total, it has nearly 11 million subscribers with a blended average revenue per user of $56.

The cable segment did $3.9 billion of revenue last year, with more than half of that coming from internet. Its cable segment has 2.5 million total internet subscribers as well as 1.6 million television and 1.1 million phone subscribers.

It's no surprise internet accounts for the largest portion and will continue to be what drives Rogers's growth in the cable segment, especially as we enter the 5G era.

Financially, the company has been rewarding investors through buybacks and the dividend. In the first nine months of 2019, the company paid back roughly $1.1 billion to shareholders.

Its dividend stability as well as growth is makes Rogers such a great company for investors seeking passive income.

It has an annual dividend rate of $2, which yields roughly 3.2% and has just a 56% payout ratio of its cash flow.



The stability extends beyond the payout ratio to Rogers's balance sheet. It's kept its debt reasonable at a 2.8 times debt leverage ratio, even as it increased slightly from the end of 2018 when it was 2.5 times, but Rogers also acquired key wireless spectrum, which is what increased its leverage the slight amount. It still remains in a strong position with a manageable debt load.

One of the top reasons why you may want to invest in Rogers today is the underperformance its share price has had all year, when the company has been performing up to its usual standards.

The stock is down a little more than 10% on the year; however, it has continued to grow its main operations, as well as its earnings. This has created a great buying opportunity, especially for those investors underweight the telecom sector.

If you are an investor that likes to diversify within industries, you need to own shares of Rogers. However, if you were looking only for exposure to the top stock in the sector, I would personally rather own **BCE**, though BCE's advantage over Rogers is only slight.

**CATEGORY**

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

**TICKERS GLOBAL**

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

**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

**Date**
2025/08/25
**Date Created**
2019/11/07
**Author**
danieldacosta