Get Rich Slowly by Investing in Canada’s Most Hated Companies

Description

There are a certain few companies that are hated by the average Canadian consumer. But we put up with them because we have no other choice.

Canada’s telecoms aren’t liked because they have some of the highest wireless fees in the world and random overage charges — sometimes for hundreds of dollars — show up on your bill. Banks are hated because they charge money just to have an account. And utilities are disliked because no matter what happens to the underlying price of power or natural gas, your bill keeps on marching higher.

I used to have similar feelings. I’d curse the power company every month when my bill came in. Why did the price of internet have to go up every year, anyway? Heck, cable TV got so bad I finally bit the bullet and cut the cord for good.

But then I realized something. If I thought a product cost too much as a consumer, then that must be a pretty good business. So, I did a little research on some of Canada’s most hated companies and tried to analyze each company’s investment moat. If a company can successfully raise prices each year without losing many customers, then that’s where I should put my money.

You should do the same. Here are two of Canada’s most hated companies — firms that continue to prove that you don’t need your customers to love you to make a buck.

Rogers Communications

Rogers Communications (TSX:RCI.B)(NYSE:RCI) consistently ranks as one of Canada’s most hated companies. But the organization is taking steps to change its image.

One big recent move was it has done away with data overage charges, following the lead of some of its competitors by just throttling users who spend a lot of time heavily using wireless data. This will have a short-term impact on profit, but will definitely help the company’s image over the long term.

This dip in near-term profits is one of the things holding down the company’s stock price. Shares currently trade hands at just over $63 each, which is close to a 52-week low. Both of Rogers's main competitors, meanwhile, trade closer to 52-week highs. It's a good opportunity to pick up cheap shares; Rogers trades at just over 15 times trailing earnings and at just 14 times next year's expected bottom line. That's quite cheap.

Shares currently pay a 3.2% dividend, which is the lowest yield of the three biggest telecoms. But Rogers does have the lowest payout ratio, checking in at under 50% of trailing earnings. The dividend is quite safe.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) made headlines for all the wrong reasons when it announced its quarterly earnings earlier this week. Canada's fourth-largest bank took some heat when it announced a large layoff program to help it hit profit targets. Some 2,300 BMO employees are scheduled to be axed.

BMO has been relentless in trying to improve its efficiency — a big problem for an organization that has long been the least efficient of Canada's five largest banks. The bank's current efficiency level is close to 60%, a marked improvement from 62.2% it posted just a year ago. The medium-term target is 58%.

The company is also pushing to improve its wealth management division on both sides of the border. Wealth management earnings surpassed $1 billion in 2019 for the first time ever. BMO's goal is to have $2 billion in annual wealth management profits by the end of 2023.

Finally, BMO also recently announced a dividend raise, increasing its payout to $1.06 per share each quarter. That works out to a succulent 4.3% yield.

The bottom line

Both Rogers and BMO are hardly beloved. In fact, many of their customers might actively hate doing business with them. And yet, these companies have been excellent investments. If that's not a vote of confidence in the future of these two enterprises, I'm not sure what is.

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