A Top TFSA Stock to Buy When it's Selling Cheap

Description

The art of investing in stocks is not a state secret. You buy them when they are cheap and sell them when you have realized your financial goals. Canadian investors who use their Tax-Free Savings Accounts (TFSA) to build wealth should look for such opportunities which are available in both rising and falling markets.

For TFSA investors whose investment horizon is long term, having a couple of telecom stocks in their portfolios isn't a bad idea. Canada's top telecom companies are among the reliable distributors of cash in the shape of dividends. These telecom utilities have solid business models, growing wireless customers, and an operating environment which is less competitive.

From the telecom space, one stock that is attractively priced these days is **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), one of Canada's largest telecom operators. Its stock has underperformed its other main rivals over the past 12 months, and it seems like a good time to buy this top telecom stock for any TFSA portfolio.

At the time of writing, Rogers stock is down 7% during the past year, while **BCE** has gained more than 10% during that time. The main reason for this weakness is that the analysts are expecting weak growth in its wireless business — a main contributor to its growth.

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.

Is the worst over?

Last week, Rogers reported revenue of $3.95 billion for the three-month period ended Dec. 31, below the consensus analyst estimate of $3.97 billion. During the same period, its net income fell 7% to $468 million.

Rogers said roughly 1.4 million subscribers have signed on to the unlimited data plans — about three times what the company had expected by this point. The shift to unlimited data plans has led to a drop in lucrative overage charges, which historically have represented about 5% of the company's wireless service revenues annually.

With this disappointing performance, however, a number of the company's key performance indicators — including the number of net new internet and wireless subscribers — are improving and suggesting that the worst for its stock is over.

Rogers said it added 27,000 net new internet subscribers and 131,000 net new postpaid wireless subscribers during the quarter. The main concern for investors over the past year has been whether the wireless growth will continue at a time when telecom companies are under pressure by the regulator to lower rates.

The latest earnings suggest that demand for wireless services remains strong in Canada and they will get another boost when faster 5G technology will be rolled out.

Rogers stock currently offers an annual dividend yield of 3%, the lowest among the Big Three telecom operators. But that doesn't tell us the complete story. On a total returns basis, Rogers produced 50% during the past five years — the highest return when compared to other players.

The bottom line

Rogers Communications is a solid telecom stock that's going through a little tough patch right now. But that weakness, in my opinion, is a buying opportunity for TFSA investors. As I've emphasized in earlier articles, the stock isn't a short-term bet. You should be prepared to hold this stock for the next five to 10 years to make some handsome returns.

CATEGORY

1. Dividend Stocks
2. Investing

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

Date
2025/08/25
Date Created
2020/01/27
Author
hanwar