If You Only Buy 1 5G Stock, This Should Be it!

Description

5G is just around the corner.

And investors who get in on the ground floor stand to benefit immensely.

Promising to increase cellular upload and download speeds exponentially, 5G will transform the telecommunications industry. Already, the major Canadian telcos are rolling out their 5G networks, having secured infrastructure partners and begun testing in major cities.

One telecom company in particular stands out as ready to thrive in the 5G era. Having deftly avoided the Huawei controversy that's plaguing its competitors, it is already rolling out its network in Toronto, Vancouver, Ottawa and Montreal. With a massive head start in the 5G wars, this company could profit enormously from its early lead.

The name of the company?

Rogers Communications

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is a Canadian telecom company that has partnered with **Ericsson** to bring 5G to Canadians. Unlike many of its competitors, who went with Huawei for their 5G infrastructure, Rogers opted for a more expensive partner. At the time, that may have seemed like a bad idea. Now, however, it gives Rogers a big advantage.

With Ottawa reportedly mulling the ban of Huawei from Canada, companies like **Telus** are facing serious setbacks. Rogers, having sidestepped the entire controversy, is in a remarkably good place, able to roll out its 5G infrastructure without issues.

As proof of that, we can point to the fact that Rogers is rolling out 5G much faster than any of its competitors. Last month, it was reported that Rogers had already activated Canada's first 5G network. More recently, the company reported that it would activate Canada's first 5G device.

We're already hearing talk of Rogers-operated 5G "smart campuses" and a 5G-themed shopping centre at Yonge-Dundas. While all this goes on, other telcos continue to lobby Ottawa not to ban Huawei from Canada, despite the ongoing security concerns.

Solid earnings results

Rogers's enviable position in the 5G wars isn't the only reason to consider its stock. The company is also a solidly profitable dividend investment in its own right, leaving 5G out of the equation. From 2015 to 2019, Rogers increased its net income from $1.34 to 2.04 billion — solid growth for a telecom company. Over that five-year period, Rogers has seen growth in its wireless and cable businesses, while its media holdings have underperformed slightly.

Rogers's solid earnings growth has led to similar growth in its dividend. Between 2018 and 2019, Rogers upped its payout from $1.92 to $2 per share. Incredibly, its payout ratio measured in terms of free cash flow actually declined from 55% to 44%.

At present, Rogers shares have a dividend yield of 3%, which isn't the highest among Canadian telcos but is above average for stocks as a whole.

If Rogers capitalizes on 5G like it looks poised to, it could see a surge in earnings from subscribers switching over to get 5G early. If that happens, we may expect Rogers's dividend to increase in the future.

CATEGORY

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