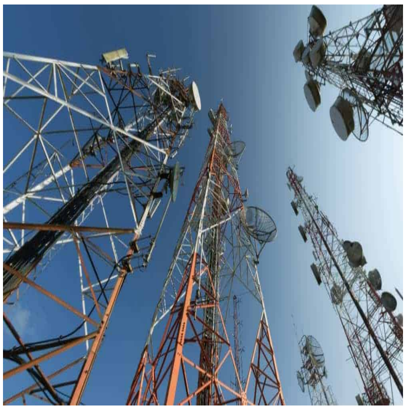

It's Time to Consider Rogers (TSX:RCI.B)

Description

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is one of the largest companies in the country. The well-known telecom is known for plastering its name across buildings and sporting venues as well as owning a massive media empire. More importantly, however, Rogers is known as one of the largest telecoms in the country. While that factor alone won't sway investors, there are other reasons that will help investors to consider Rogers.

Rogers is not your typical telecom

In addition to owning a compelling media portfolio, Rogers offers wireless, TV, internet, and phone subscription services. Those core subscription services provide the bulk of the telecom's revenue stream and hold immense growth potential.

Much of that potential stems from Rogers's wireless segment. Rogers is the largest wireless operator in Canada with coast-to-coast coverage that is the envy of smaller peers. Wireless connections have grown in importance over the years, particularly as smartphone usage has skyrocketed. Smartphones were once phone-focused communications devices. Today, they are must-have internet devices that have a (seldom used) phone app.

Rogers most recent quarterly update saw a drop in wireless revenue, which came in at $2,077 million. The ongoing COIVID-19 pandemic was a key factor in that 5% drop. Specifically, equipment revenue saw a 17% decline in the quarter, and service revenue declined by 2%.

The important point that investors should keep in mind here is that the recent decline is not specific to Rogers. If anything, Rogers is best suited to weather this unprecedented crisis thanks to long-standing efforts to revamp itself.

Consider Rogers, but not for its dividend (yet)

I'm a big advocate of income investing, and telecoms typically offer some of the best-paying yields on the market. Rogers is an exception to that rule. Several years ago, Rogers embarked on a journey to resolve some areas of concern. Chief among those were spiraling costs (and, by extension, debt) as well as lacklustre customer support.

To finance those initiatives and embark on that change, Rogers temporarily suspended dividend hikes. In doing so, Rogers paid down its debt and created a better offering for its customers. The results have been impressive to say the least. In the most recent quarter, Rogers saw free cash flow surge 14% to $462 million. That's not to say that investors that consider Rogers will not provide investors with a future hike. The company did provide a bump to its dividend last year, ending several years without an increase.

The COVID-19 pandemic has also led to a massive spike in demand for data. In the most recent quarter, Rogers saw network traffic jump 50%, which should continue to drive growth.

Final thoughts

Telecoms are frequently stereotyped as great income investments. That's not to say that Rogers's 3.65% yield isn't an attractive option. Rogers is a growth-first investment, and that's what investors should focus on.

Conveniently, Rogers trades at a discount, like much of the market. Throw in the defensive advantage of investing in a telecom, and you have an ideal option for nearly any portfolio. In other words, if your timeline is long, you may want to consider Rogers.

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Date

2025/08/22
Date Created
2020/05/26
Author
dafxentiou