The Defensive Investment You Want

Description

The market is rife with volatility. You can call it the "2020 effect," but investors continue to be wary over what will happen in the final quarter of the year. There's a good reason for that concern too — the COVID-19 pandemic is still disrupting businesses around the world. This makes the need for adding one or more defensive investments to your portfolio all the more important.

Defensive investments typically provide a necessary service and generate a stable recurring revenue stream that isn't (too) impacted by the pandemic. **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) is a great example that is worth exploring in more detail.

The defensive investment you need

Telecoms are widely regarded as defensive stocks. What few investors may realize, however, is that the importance of telecoms has grown immensely since the pandemic began.

Home internet connections have become a lifeline for office workers that are now working full time from home. Students are also sharing that internet connection to partake in remote learning. Wireless devices have become an essential means of communication during the pandemic, and subscribers are chewing through more data than ever.

In the most recent quarter, Rogers saw the total number of subscribers to its unlimited data plan hit 1.9 million, reflecting a 36% increase in 2020.

More than results

In terms of results, Rogers reported results for the second quarter in July. In that quarter, sales came in 17% lower than the same period last year, at $3.2 billion. That drop wasn't entirely unexpected, as retail stores and sporting events were mostly shuttered during that period. Still, the company managed to generate $468 million in free cash flow.

Turning to Rogers media segment, the company saw revenue drop 50% in the most recent quarter. This wasn't entirely unexpected, as nearly all sporting events were canceled due to the pandemic.

Looking towards the next quarter, Rogers should see much-improved numbers, as stores and sporting events continue to resume operations.

Another interesting point about Rogers is the quarterly dividend on offer. Rogers currently provides a respectable 3.76% yield to investors. The rate is lower than its Big Three peers, but there's a good reason for that. Rogers suspended the scheduled annual upticks to its dividend, opting instead to invest in the company and pay down debt. That's not to say that Rogers won't provide further increases, but rather, it is prioritizing the health of the company. As a point of reference, the last dividend hike effective in March of last year.

In short, Rogers remains a stellar defensive investment that should be a core part of any well-balanced portfolio.

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