



Telco Stocks Showing Why Valuation Matters

Description

It's a bad day out there for Canada's big telecomm companies. Who can remember a day when **Rogers** ([TSX:RCI.B](#)), **Telus** ([TSX:T](#)), and **BCE** ([TSX:BCE](#)) were down by 9.3%, 7.1%, and 3.7% respectively? Downward moves like these seem to be reserved exclusively for gold companies only these days.

Today's action is of course a result of **Verizon**'s announcement that they have made a bid for Wind Mobile, an indication that the [U.S. giant is coming to Canada](#).

Even though Verizon presents a significant competitive threat, some may be thinking this is a great opportunity to either add to or initiate a position in one of this country's great companies.

Before you take the plunge however, please consider where these stocks stand relative to their historical valuations. This comparison is made in the table below:

Company Name	Current P/B	10 Yr. Avg P/B	Difference
BCE (TSX:BCE)	3.1	2.2	+40.9%
Telus (TSX:T)	2.7	2.1	+28.6%
Rogers (TSX:RCI.B)	6.0	5.1	+17.6%
Shaw (TSX:SJR.B)	2.7	3.4	-20.6%

Source: Capital IQ

As you can see, all three of Canada's big wireless players have been trading at a premium valuation to their long-term averages. Not only this, but the premium was at least partly justified by the growth offered by the wireless business contained within each. The very business that is now under siege. This is evidenced by the discount at which Shaw Communications currently trades. Shaw doesn't have a wireless business.

Foolish Takeaway

With Verizon looming, wireless growth is unlikely to continue for the incumbents. Quite the opposite. Each can be expected to not only lose market share, but wireless margins can also be expected to decline. This premium valuation, could quickly turn into a discount, just like Shaw. Shaw is up on the day by-the-way. Valuation matters!

Canada's telecom space is a haven for income seeking investors. To add some diversity to your income-producing portfolio, simply [click here](#) to download our **FREE** report "**13 High Yielding Stocks to Buy Today**".

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Fool contributor Iain Butler does not own any of the companies mentioned in this report. The Motley Fool has no position in any stocks mentioned at this time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)
3. TSX:SJR.B (Shaw Communications)
4. TSX:T (TELUS)

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Author

tmfohcanada

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