Putting the Telecom Decline into Perspective

Description

One of the Canadian market's go to sectors for stability has been under siege of late. Shares of **Rogers Communications** (TSX:RCI.B), **Telus** (TSX:T) and **BCE** (TSX:BCE) have fallen by 18.2%, 10.2%, and 7.1% respectively over the past 3 months.

First it was the tick up in interest rates that made investors somewhat skittish. Telecom stocks after all are known as a yield play as much as anything, and are therefore sensitive to movements in the bond market.

Then it was the announcement that **Verizon** is assembling a plan to move into Canada. Sentiment quickly shifted from skittish to outright fearful, especially in the names that are more exposed to wireless – namely, Rogers and Telus.

Many might think the fear is overdone and the sell-off too severe. These are after all 3 of Canada's premiere businesses. To gauge whether or not the current moves have driven these companies into "value" territory, we're going to compare a couple of current metrics to their long-term averages. Namely, the price/book ratio and dividend yield for each. This will help to give the decline a little more perspective.

Tabled below are the specified current metrics for each, as well as their respective long-term averages:

Company	P/B	10 Yr. Avg P/B	Div Yield	10 Yr. Avg Yield	5 Yr. Avg Yie
Rogers	5.4	5.1	4.1%	2.2%	3.7
BCE	3.2	2.2	5.3%	4.6%	5.1

Telus	2.6	2.1	4.3%	3.6%	4.6

Source: Capital IQ

The table presents a bit of a mixed message. In terms of P/B, each still trades above its long-term average, indicating there might be a bit more to go on the downside before these names enter value territory.

However, from a yield perspective, they look pretty good. Over this 10-year period the group as a whole has gone through a transition from investing heavily in infrastructure and network build to now harvesting the cash from their investments. But even when compared to 5-year average yields, the current dividends still look pretty good.

The Foolish Bottom Line

While the market has been somewhat ruthless to the telecom space, the strong run that they've been on in recent years pushed valuations into the realm of the expensive. Bad news and expensive stocks are like oil and water, they don't mix. Though the stocks have declined, and from a dividend perspective, they appear reasonable, most value oriented investors are likely to remain on the sidelines until below average P/B ratios are achieved.

Canada's market for dividend stocks is relatively narrow. If you're looking for more variety in your dividend portfolio **click here now** and download our special **FREE** report "**13 High Yielding Stocks to Buy Today**". This report will have you rolling in dividend cheques from a multitude of sources before you know it!

The Motley Fool's purpose is to help the world invest, better. ***Click here now*** *for your free subscription to* ***Take Stock****, The Motley Fool Canada's free investing newsletter. Packed with stock ideas and investing advice, it is essential reading for anyone looking to build and grow their wealth in the years ahead.*

Follow us on Twitter and Facebook for the latest in Foolish investing.

Fool contributor Iain Butler doesn't own shares in any of the companies mentioned at this time. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date
2025/06/29
Date Created
2013/07/18
Author
tmfohcanada