BCE Inc. vs. Rogers Communications Inc.: Which Should You Buy?

Description

If you're looking for safe dividend stocks, Canada's big three telecommunications providers are a great place to start. They make recurring revenue, face little competition, and are protected by high barriers to entry.

The two largest players, **Rogers Communications Inc.** (TSX: RCI.B)(NYSE: RCI) and **BCE Inc.** (TSX: BCE)(NYSE: BCE) offer a perfect illustration.

But which one is more appropriate for your portfolio? Below we take a closer look.

Rogers Communications Inc.

It has not been a strong year for shareholders of Rogers. Over the past 12 months, its shares are only up 3% – even after factoring in dividends, the stock has been a laggard. The company has a reputation for poor customer service, which seems to have played a factor over the past few quarters.

But there are reasons to be optimistic. For one, Rogers seems to have the right priorities with new CEO Guy Laurence. He has made improving customer service a top priority, even shuffling the corporate structure as part of his efforts.

Secondly, Rogers has made some big investments recently to bolster its asset base. For example, the company emerged as the big winner in the Canadian government's most recent spectrum auction. Rogers also won exclusive rights to broadcast NHL games in Canada, beating BCE in a bidding war. Both of these came at a heavy price, but should also pay big dividends over the long run.

Finally, Rogers is trading at a discount to its peers, at only 14.8 times earnings (by comparison, BCE trades at 18.9 times earnings). As a result, the dividend yield stands at a healthy 4.3%. This is a fantastic yield for such a stable company. And if Mr. Laurence is able to execute on his plans, the shares might get you some capital gains income as well.

BCE Inc.

BCE enjoys a lot of the same advantages that Rogers does, but as mentioned, trades at a higher multiple. So what's to like about this company?

For one, BCE's revenue mix has improved dramatically. The company once best known for traditional telephone service has been slowly diversifying away from that space – last year traditional home phone service accounted for just 8% of revenues.

BCE also may have a more favourable revenue mix than Rogers, due to its lower emphasis on television subscriptions. Last year, TV subscriptions accounted for only 11% of BCE's revenue, compared to 27% for Rogers. This is an industry that is coming under extreme pressure as consumers, especially younger ones, 'cut the cord'.

Furthermore, Bell isn't exactly at a media disadvantage compared to Rogers. It's true that Rogers scored a big win with the NHL rights, but BCE still has plenty of media assets (such as television channels) after the Astral acquisition. This includes a leadership position in sports, which is seen as a primary defence against cord cutting. In fact BCE is expanding its TSN franchise from two channels to five, demonstrating just how much content it has to offer.

Finally, BCE is not overly expensive either, and as a result has a dividend yielding north of 5%, even higher than Rogers' dividend.

So while you should probably buy Rogers before BCE, both companies are great candidates for any dividend portfolio.

CATEGORY

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3. TSX:BCE (BCE Inc.)
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bensinclair