Should You Buy BCE Inc. or Telus Corporation?

Description

BCE Inc. (TSX:BCE)(NYSE:BCE) and **Telus Corporation** (TSX:T)(NYSE:TU) have both hit new highs recently and investors are wondering which of the telecom titans is a better bet right now.

Let's take a look at both companies to see if one deserves to be in your portfolio.

BCE Inc.

Canada's largest communications company has expanded its reach in the last few years to become a powerful force in both media and communications. The company now owns sports, radio, TV, advertising, retail, and communications assets that all tie in together to give BCE a fully integrated network of offerings for its customers.

Recent acquisitions suggest the company has no plans to slow down its rapid growth. The latest purchase is wireless retailer Glentel Inc. The deal is being split with **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) and will strengthen BCE's already formidable retail presence.

In the fall of 2014, BCE closed the chapter on Bell Aliant's public existence by taking the subsidiary private. The $4 billion deal means BCE's shareholders will benefit from Bell Aliant's steady stream of free cash flow. Before the buyout, Bell Aliant paid one of Canada's best dividends.

In 2013 BCE bought Astral Media. The purchase gave the company a wide range of media assets, including the lucrative pay TV business in Quebec. The integration of the Astral businesses continues to drive increased revenue and synergy gains are also bearing fruit.

BCE's streaming offering, Crave, could turn out to be cash cow for BCE if the company can get the right mix of price and content that Canadians are demanding.

BCE pays a dividend of $2.48 per share that yields about 4.3%.

Telus Corporation

Telus has decided to avoid the media binge and is focused on building the best possible wireless and wireline businesses in the country.

The strategy appears to be working as Telus continues to add new accounts in its wireline division. Most of the growth is coming from broadband Internet and Telus TV subscriptions.

Telus is in the enviable position of being able to negotiate with the other companies for the best-in class services available for its customers. Both BCE and Rogers want their streaming and media products to reach as many Canadians as possible and will battle hard to get Telus to provide their respective services in the various package offerings. For example, BCE’s CraveTV is now available for Telus’ Optik TV customers.

Telus’ mobile division is the envy of its competitors right now. The company’s customers spent an average of $64.51 per month in the third quarter of 2014. This is the highest average revenue per unit (ARPU) in the industry. Telus also had the lowest churn rate, which means it managed to retain most of its big spenders. The low churn rate is important because it costs about $400 to acquire a new customer.

Telus has a little-known health division that is growing at an incredible pace. The company is leveraging its world-class network to tap into the growing demand for integrated real-time medical services. Telus Health has the potential to represent a major part of Telus’ revenue stream in the coming years.

Telus pays a dividend of $1.60 per share that yields about 3.7%.

Which should you buy?

Both Telus and BCE are good long-term bets. If you have to choose just one, I would probably pick Telus for the growth potential of the health division.

BCE and Telus are two of Canada’s top companies that continue to grow and prosper. Sometimes investors get the rare opportunity to invest in a world-class company that has fallen on tough times, but is about to regain its leadership position.

The Motley Fool team has discovered one such company.

CATEGORY

1. Investing

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1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:T (TELUS)

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aswalker