Which of the Big 3 Telcos Is Canada's Best Dividend Stock?

Description

Times are really tough nowadays for Canada's dividend investors. We're seeing dividend cuts left and right from energy companies, there are concerns about the banks, and yields on steadier companies remain low. If you want your savings to generate some income, what should you do?

Well, Canada's big three telecommunications companies are a great place to start. They operate in a very cozy industry, with little competition and high barriers to entry. Subscription-based revenue ensures that cash flow remains nice and smooth. The government is trying to bring a fourth competitor to the market, but does anyone really think this will change the story?

That said, which of these three companies is the best option for dividend investors?

BCE: 4.9% yield

If you're looking for a big yield, then **BCE Inc.** (TSX:BCE)(NYSE:BCE) may be your best bet. Its 4.9% dividend yield is the highest on this list, and fifth highest on the **S&P/TSX 60** (on that note, the top four dividends are a lot shakier than BCE's).

Why does BCE have such a big yield? Is it a cheap stock price? Well, not exactly. In fact, an analyst at TD pegged BCE as the most expensive telco stock in North America. Instead, BCE has a nice yield because it pays out almost all of its earnings to shareholders. To illustrate, last year earnings per share came in at $2.98, and this year BCE plans to pay $2.60 per share in dividends.

If you're looking for growth, or a cheap stock, you should look elsewhere. On the other hand, if you're looking for steady income, and are frustrated by low yields, this is the stock for you.

Rogers: 4.5% yield

If you're looking for a cheap stock, you should go with **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI). Based on today's prices, the company is trading for less than 15 times adjusted earnings, well below its rivals.

Granted, cheap stocks are cheap for a reason, and Rogers is no different. The company has struggled over the past year, posting weaker-than-expected subscriber numbers. It's not especially liked by its customers. Subscriber numbers are down for both wireless and cable. Adjusted EPS declined by 13% last year.

At this point, Rogers is a bit of a turnaround story. There are reasons to be optimistic—customer complaints decreased by 30% last year, and the company has some fantastic assets. However, if you're looking for a dividend without any headaches, you might want a different company on this list.

Telus: 3.9% yield

Telus Corporation (TSX:T)(NYSE:TU) has a lower yield than either of its rivals, but still may be the best dividend stock. How so?

First of all, Telus is growing faster than its two larger rivals. Just last year, revenue grew by more than 5%, and earnings per share grew by nearly 15%. This is partly because Telus is more geared towards wireless than BCE and Rogers are. So, as Canadians buy more smartphones and increase their data usage, Telus benefits. Second, Telus is more popular with its customers, and has thus been able to steal market share. I would expect that to continue.

So, if you need the income, I would go with BCE. If you want a cheap stock, go with Rogers. If you want the best company, go with Telus.

CATEGORY

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TICKERS GLOBAL

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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