BCE Inc. vs. Rogers Communications Inc.: Which Is the Better Dividend Investment?

Description

You can debate all you want about who has a better TV package—**BCE Inc.** (TSX:BCE)(NYSE:BCE) or **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI). But today, we're tackling a more pressing question: Which telecom giant is a better dividend stock?

Certainly, Bell and Rogers have plenty in common. Both pay steady dividends. Both earn reliable profits. And because mobile phones are almost necessities nowadays, both firms are practically recession proof.

Before you fork over your hard-earned money, there are also some key differences that need to be considered. Let's see how these two dividend champions stack up against one another:

1. Yield: First off, we have the easy task of comparing payouts. BCE yields 4.9%, which is a half percentage point higher then Roger's 4.4% payout. So, if you're looking for current income, BCE is your first choice. *Winner: BCE*

2. Dividend history: Telecom stocks are some of the most reliable dividend payers around. Incredibly, BCE has been sending out dividend cheques to shareholders since 1881—one of the longest streaks of consecutive payments in North America. Rogers is just getting started in the dividend game, however. The firm has only been paying out a dividend since 2003. *Winner: BCE*

3. Dividend safety: Of course, we also want to measure a company's ability to maintain those dividends in the future. Rogers pays out 70% of its profits to shareholders in distributions. That gives it plenty of financial wiggle room if business sours. Meanwhile, BCE pays out nearly 90% of its earnings. That doesn't mean the payout is in danger. Most of BCE's expenses are non-cash charges. However, it does say future dividend hikes may be modest at best. *Winner: Rogers*

4. Customer loyalty: Locking in a loyal customer base is the key to earning superior cash flows and thick margins. BCE's monthly postpaid churn rate was just 1.2% last quarter—one of the lowest in North America. That puts the business in a better position to return capital to shareholders through dividends and buybacks. *Winner: BCE*

5. Dividend growth: We also want to ensure our income can keep up with (and ideally beat) rising prices. BCE has increased its dividend at a 6.8% annual clip over the past decade. That's not bad, but Rogers has raised its dividend at a jaw-dropping 37.4% per year over the same period. *Winner: Rogers*

6. Earnings growth: Dividends can only be paid out of profits. That's why earnings growth is the best predictor of how fast a company will be able to raise its distribution in the future. Based on analyst estimates compiled by *Reuters*, Rogers' earnings per share are expected to grow at a 5% annual clip over the next five years. BCE's expansion is just a bit slower, with the company's profits expected to grow only 4.5% per year over that same time. *Winner: Rogers*

7. Valuation: Investors have soured on Rogers. Today, the stock trades at only 13 times forward profits, which is below the company's peers and historical average. BCE, however, trades at a premium 17 times forward earnings. If results disappoint, that could leave the stock vulnerable to a sell off. *Winner: Rogers*

And the results are in…

As I said, I like BCE and Rogers. Both are wonderful businesses, both pay reliable dividends, and both deserve a place in any income portfolio.

That said, Rogers' cheaper price, safer payout, and faster growth gives it the slight edge in my books. If you can only own one telecom name, this is the stock to buy.

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Date
2025/07/03
Date Created
2015/03/19
Author
rbaillieul