3 Reasons to Buy Telus Corporation Instead of Rogers Communications Inc.

Description

If you're looking for safe stocks and steady dividends, you can't go wrong with Canada's big three telecommunications providers. All three operate in a very cozy environment, one in which competition is low, and customers are tied to subscriptions (often as part of a contract).

That said, there are differences between the providers, some of which have been magnified in recent days. On that note, we take a look at three reasons to own **Telus Corporation** (TSX:T)(NYSE:TU) over **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI).

1. Popularity with customers

Over at Rogers, there's a sad reality: The company simply isn't liked by its customers. CEO Guy Laurence has acknowledged as much, even saying the company has "neglected" its customers for years.

That problem doesn't exist at Telus. Last year, it ranked at the top of the J.D. Power and Associates' annual Wireless Total Ownership Experience study among national providers. Koodo, which is Telus' discount brand, took the top-spot in the wireless-only category.

So, to no one's surprise, Telus has been stealing market share, mainly at the expense of Rogers. Again, just look at last year: Telus gained nearly 300,000 wireless subscribers in 2014, while Rogers lost just over 50,000. During this time, a Rogers' wireless postpaid subscriber was 37% more likely to leave than a wireless postpaid subscriber at Telus.

At this point, Telus clearly has a stronger brand than Rogers, and brand perceptions don't tend to change quickly. In the meantime, Telus' shareholders have a lot less to worry about.

2. Pick-and-pay

If Rogers wasn't having enough problems, the Canadian Radio-television and Telecommunications Commission (CRTC) unveiled new "pick-and-pay" rules on Thursday that are likely to be implemented in late 2016. The new regulations will require TV broadcasters to offer a basic package at $25 per month, and allow subscribers to add individual channels on top of that.

This is bad news for broadcasters, who make a premium from selling loads of channels that their customers don't want. One analyst predicted a loss of $5-10 per subscriber per month due to these new rules.

Rogers gets about 20% of its revenue from television distribution and broadcasting, so it will certainly feel a pinch. Meanwhile Telus only gets about 6% of revenue from TV.

3. Growth

Telus has yet another advantage over Rogers: a better revenue mix. Even before the CRTC's latest announcements, wireless and Internet services had much better prospects for growth than traditional media.

So, it should surprise no one that Telus is growing faster. To be more specific, last year total revenue grew by 5.2% at Telus and only 1.1% at Rogers. Even though Telus is slightly more expensive (18.8 times earnings compared to 16.5 times at Rogers), it's still a better option.

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Date
2025/07/22
Date Created
2015/03/23
Author
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