3 Reasons to Dump Your BCE Inc. Shares for Telus Corporation

Description

BCE Inc. (TSX:BCE)(NYSE:BCE) is one of Canada's most popular dividend stocks, and for good reason. The company's $0.65 quarterly dividend yields nearly 5%, good enough for eighth place among **S&P/TSX 60** listed companies.

Among the top seven, four are energy producers, and six pay out more than their net income. By comparison, BCE's dividend is on very solid ground. Of course, this is very important for any income-oriented investor.

But there's another Canadian telecom stock you should buy instead: **Telus Corporation** (TSX:T)(NYSE:TU). Below we look at three reasons why.

1. Happier customers

As we all know, Canadians have a love-hate relationship with their telecommunications providers. This is especially true at BCE. Just last year the Commissioner for Complaints for Telecommunications Services accepted 3,651 complaints directed at the company. Even **Rogers**, a company well known for frustrating its customers, was the subject of only 2,379 complaints.

Meanwhile, only 653 complaints were directed against Telus. And based on other metrics, Telus is keeping its customers much happier than BCE is. For instance, Telus touts that 95% of its customers are satisfied with the company's customer service. BCE and Rogers could only dream about such a figure.

These metrics are having a big impact on financial results. Among postpaid cellphone subscribers, only 0.91% leave Telus in an average month. That number is 1.18% for BCE.

This bodes particularly well for Telus because thanks to new regulations, customers have more freedom to switch than ever before. BCE should be worried.

2. Better growth prospects

Telus has been stealing wireless market share from BCE and Rogers, helping to grow the bottom line. And there's another big reason why Telus has better growth prospects than BCE.

It has to do with BCE's legacy land-line business, which, of course, is shrinking. In fact, last year this business lost more than 6% of its subscribers, which nearly canceled out subscriber growth in all other product lines. As a result, BCE's subscriber count grew only 0.2%, and its revenue increased by just 3.5%.

Telus is more oriented towards growth services, such as wireless communications and high-speed Internet. So, it should be no surprise that its growth is stronger than BCE's. Last year, total subscribers grew by 2.9% and revenue grew by 5.2%. There's no reason to expect this strong growth to stop.

3. A cheaper stock

Telus clearly has better growth prospects than BCE. Yet remarkably, BCE is more expensive, trading at 19 times earnings. Meanwhile, Telus trades at only 17.3 times earnings.

The reason for this disparity is quite simple: BCE pays out nearly all of its earnings to shareholders, resulting in a big dividend. This makes the stock very popular among yield-hungry investors. Consequently, BCE is "the most expensive telco stock in North America" according to one analyst.

So, if you're really looking for a big dividend, then BCE is a fine option. Otherwise, there's no point paying nearly 20 times earnings for a company with little growth. You're much better off with Telus.

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bensinclair