



## Which of Canada's Big 3 Telecoms Should You Buy Today?

### Description

**Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)), **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) are the three largest telecommunications companies in Canada, and all of their stocks represent very attractive long-term investment opportunities today. However, the laws of diversification state that we cannot own all three, so let's take a closer look at each companies' first-quarter earnings results, their stocks' valuations, and their dividend yields to determine which represents the best long-term investment opportunity today.

#### 1. Rogers Communications Inc.

Rogers's stock has fallen about 3.5% year-to-date, but it has risen over 4% since it announced its first-quarter earnings results after the market closed on April 20. Here's a summary of six of the most notable statistics from its report compared with the year-ago period:

1. Adjusted net income decreased 19.1% to \$275 million
2. Adjusted diluted earnings per share decreased 19.7% to \$0.53
3. Revenue increased 5.1% to \$3.18 billion
4. Adjusted operating profit decreased 3.2% to \$1.12 billion
5. Cash provided by operating activities decreased 44.4% to \$227 million
6. Free cash flow decreased 25.3% to \$266 million

At today's levels, Rogers' stock trades at 15.1 times fiscal 2015's estimated earnings per share of \$2.88 and 14.5 times fiscal 2016's estimated earnings per share of \$3.00, both of which are inexpensive compared with the industry average price-to-earnings multiple of 17.2.

In addition, Rogers pays a quarterly dividend of \$0.48 per share, or \$1.92 per share annually, giving its stock a 4.4% yield at current levels. It is also important to note that the company has increased its annual dividend payment for 10 consecutive years, and its consistent free cash flow generation could allow this streak to continue for the next several years.

#### 2. BCE Inc.

BCE's stock has risen over 1.5% year-to-date, and it has remained relatively unchanged since it announced its first-quarter earnings results on the morning of April 30. Here's a summary of six of the most notable statistics from its report compared with the year-ago period:

1. Adjusted net income increased 12.6% to \$705 million
2. Adjusted earnings per share increased 3.7% to \$0.84
3. Operating revenues increased 2.8% to \$5.24 billion
4. Adjusted earnings before interest, taxes, depreciation, and amortization increased 3.6% to \$2.09 billion
5. Cash flow from operating activities increased 6.4% to \$1.05 billion
6. Free cash flow decreased 11.8% to \$231 million

At current levels, BCE's stock trades at 16.3 times its median earnings per share outlook of \$3.33 for fiscal 2015 and 15.4 times analysts' estimated earnings per share of \$3.52 for fiscal 2016, both of which are inexpensive compared with the industry average price-to-earnings multiple of 17.2.

In addition, BCE pays a quarterly dividend of \$0.65 per share, or \$2.60 per share annually, which yields 4.8% yield at today's levels. Investors must also note that the company has increased its dividend 11 times in the last six years, and its strong operational performance could allow for another increase in the second half of this year.

### 3. Telus Corporation

Telus's stock has risen about 3% year-to-date, including an increase of about 2.5% since it announced its first-quarter earnings results on the morning of May 7. Here's a summary of six of the most notable statistics from its report compared with the year-ago period:

1. Adjusted net income increased 11.5% to \$427 million
2. Adjusted earnings per share increased 12.9% to \$0.70
3. Operating revenues increased 4.6%% to \$3.03 billion
4. Adjusted earnings before interest, taxes, depreciation, and amortization increased 6.2% to \$1.15 billion
5. Cash provided by operating activities increased 20.1% to \$718 million
6. Free cash flow decreased 6.9% to \$271 million

At today's levels, Telus' stock trades at 17.2 times its median earnings per share outlook of \$2.50 for fiscal 2015 and 15.4 times analysts' estimated earnings per share of \$2.79 for fiscal 2016, both of which are inexpensive compared with the industry average price-to-earnings multiple of 17.2.

In addition, Telus pays a quarterly dividend of \$0.42 per share, or \$1.68 per share annually, giving its stock a 3.9% yield at current levels. The company has also increased its dividend nine times since announcing its multi-year dividend-growth program in May 2011, and it expects to increase it by another 10% annually through fiscal 2016.

### And the winner is...

Here's how each company ranks in terms of strongest first-quarter earnings results, most attractive

forward valuations, and highest dividend yield, and their average rank overall to determine a winner:

| Category               | Rogers Inc. | BCE Inc.   | Telus Corporation |
|------------------------|-------------|------------|-------------------|
| Q1 Earnings Strength   | 3           | 2          | 1                 |
| Forward Valuations     | 1           | 2          | 3                 |
| Dividend Yield         | 2           | 1          | 3                 |
| <b>Average Ranking</b> | <b>2</b>    | <b>1.7</b> | <b>2.3</b>        |

As the chart above shows, it was a very close competition, with all three companies winning a category, but BCE came out on top with an overall ranking of 1.7. Long-term investors should take a closer look and strongly consider making BCE a core holding today.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

## 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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