3 Reasons Why Telus Corporation Has a Better Dividend Than BCE Inc.

Description

When searching for big dividends, bigger does not always mean better. Of course, we've seen plenty of examples over the past year, particularly in the energy sector.

Canada's Big Three telecommunications providers offer yet another example. **BCE Inc.** (TSX:BCE)(NYSE:BCE) has a very big dividend, one that yields close to 5%. Yet dividend investors would be better off with **Telus Corporation** (TSX:T)(NYSE:TU), even though its dividend yields less than 4%.

We look at three reasons why below.

1. Better growth prospects

Both companies have no plans to expand internationally, which certainly limits their growth prospects.

But Telus still has some enticing opportunities for growth mainly due to its business mix. Over half of the company's operating revenues come from its wireless division, which continues to benefit from Canadians' increasing thirst for mobile data. Even the Wireline division continues to grow, as new subscribers for high-speed Internet and Optik TV more than make up for declines in fixed-line telephone services.

BCE, on the other hand, has more exposure to the landline phone business, and this has stunted the company's growth. To illustrate, the company's total subscriber count actually *decreased* in the past 12 months as declines in fixed telephone services cancelled out the growth in all of BCE's other businesses.

2. A better relationship with subscribers

By practically any measure, Telus is better liked by its customers than its rivals are, and this has allowed the company to steadily gain market share.

This advantage is especially important these days, since Canadians have more freedom to switch wireless service providers than ever before. And with the growth of social media, if one company is treating its customers particularly well, word tends to travel fast.

3. A similar price

Given Telus's advantages, you would think it has a more expensive stock price, especially since BCE has a higher dividend yield.

But that's not the case at all. BCE's price-to-earnings ratio stands at 18.5, slightly above Telus's 18.3. So, in actual fact, BCE only has a higher dividend yield because it pays practically all of its earnings to shareholders.

Obviously, BCE's shares are in high demand, and this makes some sense. The company offers one of the few big dividends that has no real risk of being cut, making it especially popular among dividend investors. But this means there's relatively little upside for the share price.

So, if you're insistent on going after big dividends, BCE is an excellent option. Otherwise, Telus is the better stock to own.

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