



## Which of the Big 3 Telecoms Is a Good Buy Today?

### Description

In 2014, a CRTC report indicated that wireless revenues made up the largest component (49%) of total telecommunications revenues. From 2014 to 2019, mobile data traffic in Canada is expected to grow 700%, a compound annual growth rate of 46%.

The Big Three telecoms, **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), and **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) are bound to benefit from this massive growth.

### Telecom performances compared to the market

Using **iShares S&P/TSX 60 Index Fund** as a benchmark, it fell from a 52-week high of \$22.8 to \$20.1, a decline of 11.8%. It now yields 3%.

Comparatively, the Big Three telecoms have been more resilient to the decline. Additionally, they provide a higher income (at least 1% higher) than the index.

- BCE only fell from a 52-week high of \$60 to \$55.40, a decline of 7.7%. It now yields 4.7%.
- Telus only fell from a 52-week high of \$45 to \$41.8, a decline of 7.2%. It now yields 4%.
- Rogers Communications's price is only 1% below its 52-week high. It now yields 4.1%.

With Rogers Communications declining the least, does that mean it's a buy over the others? Let's take a look at their valuations and expected growth.

### Which defensive telecom is the best deal today?

BCE is priced at a price-to-earnings ratio (P/E) of under 17. The total return is estimated by adding the current yield with the expected earnings growth. With earnings growth anticipated to be 5-6% in the near future, investors can expect a total return of 9.7-10.7% from BCE.

Telus is priced at a P/E of about 16.8. With earnings growth anticipated to be 7-8% in the near future, investors can expect a total return of 11-12% on an investment today.

Rogers Communications is the cheapest of the three because it has experienced slower earnings growth compared with the other two. Its P/E is around 16.2. With earnings growth anticipated to be 6-7% in the near future, investors can expect a total return of 10.1-11.1% on an investment today.

### **In conclusion**

If investors are looking for the highest income from this stable industry, BCE is your top choice because it has the highest yield of 4.7%. However, the telecom has historically yielded over 5%. That would imply a price of \$52.

Investing in great businesses at fair prices is one of the best things investors can do for their long-term portfolio. It's typically a fair deal to buy Telus when it yields 4%. However, Telus occasionally yields 4.2% or higher.

If you want to buy at the 4.2% yield, wait for Telus to get to \$40 per share. That said, Telus should be on schedule to increase its quarterly dividend to 44 cents in the next three months. That is a forecast from its recent dividend-growth history. In that case, buying it at \$41.90 would imply a yield of 4.2% today.

Rogers Communications has been trading essentially between \$42 and \$46 since 2014. It seems to be breaking out of that range. If its earnings do increase at a rate of 6-7% in the near future compared with its recent growth of 3%, it would be a good time to buy shares today.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **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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