



Is BCE Inc. or Telus Corporation the Better Buy Today?

Description

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) are two of the three largest communications companies in Canada, and both of their stocks represent attractive long-term investment opportunities today.

However, the laws of diversification state that we cannot own both, so let's take a quick look at each company, their earnings results in fiscal 2015, their stocks' valuations, and their dividends to determine which is the better long-term buy today.

BCE Inc.

BCE is Canada's largest communications company. It is the country's largest Internet provider with 3.4 million subscribers, the largest provider of television services with 2.7 million subscribers, and the third-largest wireless service provider with 8.2 million subscribers and an estimated 28% market share.

Its stock has risen about 10% year-to-date, including an increase of more than 3% since it released its earnings results on the morning of February 4 for its fiscal year ended on December 31, 2015. Here's a quick breakdown of eight of the most notable statistics from fiscal 2015 compared with fiscal 2014:

1. Adjusted net earnings increased 12.7% to \$2.85 billion
2. Adjusted earnings per share increased 5.7% to \$3.36
3. Operating revenues increased 2.2% to \$21.51 billion
4. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 3% to \$8.55 billion
5. Adjusted EBITDA margin improved 20 basis points to 39.7%
6. Cash flows from operating activities increased 0.5% to \$6.27 billion
7. Free cash flow increased 9.3% to \$3 billion
8. Total subscribers decreased 0.5% to 21.09 million

At today's levels, BCE's stock trades at 16.7 times fiscal 2016's estimated earnings per share of \$3.51 and 16 times fiscal 2017's estimated earnings per share of \$3.67, the latter of which is inexpensive compared with its five-year average price-to-earnings multiple of 16.3 and both of which are

inexpensive compared with the industry average multiple of 21.9.

In addition, BCE pays a quarterly dividend of \$0.6825 per share, or \$2.73 per share annually, which gives its stock a yield of about 4.65%. Investors must also note that it has raised its annual dividend payment for seven consecutive years, and its 5% hike in February has it on pace for 2016 to mark the eighth consecutive year with an increase.

Telus Corporation

Telus is Canada's third-largest communications company. It is the country's second-largest wireless service provider with 8.5 million subscribers and an estimated 29% market share, the third-largest Internet provider with 1.6 million subscribers, and the third-largest provider of television services with one million subscribers.

Its stock has risen over 5% year-to-date, including an increase of more than 1% since it released its earnings results on the morning of February 11 for its fiscal year ended on December 31, 2015. Here's a quick breakdown of eight of the most notable statistics from fiscal 2015 compared with fiscal 2014:

1. Adjusted net income increased 4.7% to \$1.56 billion
2. Adjusted earnings per share increased 6.8% to \$2.58
3. Operating revenues increased 4.2% to \$12.5 billion
4. Adjusted EBITDA increased 4.6% to \$4.49 billion
5. Adjusted EBITDA margin improved 10 basis points to 35.9%
6. Cash provided by operating activities increased 4% to \$3.54 billion
7. Free cash flow increased 2% to \$1.08 billion
8. Total subscribers increased 2.2% to 12.5 million

At today's levels, Telus's stock trades at 15.2 times fiscal 2016's estimated earnings per share of \$2.66 and 14.4 times fiscal 2017's estimated earnings per share of \$2.81, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.3 and the industry average multiple of 21.9.

In addition, Telus pays a quarterly dividend of \$0.44 per share, or \$1.76 per share annually, which gives its stock a yield of about 4.35%. Investors must also note that it has raised its annual dividend payment for 12 consecutive years, and its recent increases, including its 4.8% hike in November 2015, has it on pace for 2016 to mark the 13th consecutive year with an increase.

Which communications stock is the better buy?

Here's how each company ranks when comparing the strength of their earnings results in fiscal 2015, their stocks' valuations compared with their five-year and industry averages, their dividend yields, and their streaks of annual dividend increases:

Metric	BCE	Telus
Earnings Strength	2	1
Forward Valuations	2	1
Dividend Yield	1	2

Dividend Growth	2	1
Average Ranking	1.75	1.25

As the chart above depicts, BCE has a slightly higher dividend yield, but Telus reported stronger earnings results in fiscal 2015, its stock trades at more attractive forward valuations, and it has a more impressive streak of annual dividend increases, giving it the win in this match up.

With all of this being said, I think both stocks are great long-term buys, so Foolish investors should strongly consider making one of them a core holding today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
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