



Should You Buy BCE Inc. or Telus Corporation Today?

Description

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) are two of Canada's three largest communications companies, and both of their stocks represent intriguing long-term investment opportunities today.

However, in order to keep our portfolios diversified, we must only buy one, so let's compare the companies' earnings results in the first quarter of 2016, their stocks' valuations, and their dividends to determine which is the better buy right now.

BCE Inc.

BCE is Canada's largest communications company with 20.96 million total subscribers, and it's the country's largest Internet provider with 3.41 million subscribers, its largest provider of television services with 2.75 million subscribers, and its third-largest wireless service provider with 8.24 million subscribers.

Its stock has risen over 11% year-to-date, including an increase of more than 2% since it released its first-quarter earnings results on April 28. Here's a quick breakdown of 10 of the most notable statistics from the first quarter of fiscal 2016 compared with the year-ago period:

1. Adjusted net earnings increased 4.1% to \$734 million
2. Adjusted earnings per share increased 1.2% to \$0.85
3. Operating revenues increased 0.6% to \$5.27 billion
4. Adjusted earnings before interest, taxes, depreciation, and amortization increased 3.3% to \$2.16 billion
5. Free cash flow increased 81% to \$418 million
6. Total subscribers decreased 0.5% to 20.96 million
7. Wireless subscribers increased 1.6% to 8.24 million
8. High-speed Internet subscribers increased 3.4% to 3.41 million
9. TV subscribers increased 3.4% to 2.75 million
10. Network access service lines decreased 6.4% to 6.57 million

BCE's stock currently trades at 17 times fiscal 2016's estimated earnings per share of \$3.50 and 16.2 times fiscal 2017's estimated earnings per share of \$3.67, both of which are inexpensive compared with the industry average price-to-earnings multiple of 21.5, and the latter of which is inexpensive compared with its five-year average multiple of 16.5.

Additionally, BCE pays a quarterly dividend of \$0.6825 per share, or \$2.73 per share annually, which gives its stock a yield of about 4.6%. Investors must also make the following two notes.

First, BCE 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.

Second, the company has a target dividend-payout range of 65-75% of its annual free cash flow, and it has stated that it intends to grow its dividend every year that it achieves free cash flow growth.

Telus Corporation

Telus is Canada's third-largest communications company with 12.44 million total subscribers, and it's the country's second-largest wireless service provider with 8.39 million subscribers, its third-largest Internet provider with 1.6 million subscribers, and its third-largest provider of television services with 1.02 million subscribers.

Its stock has risen over 5% year-to-date, including an increase of about 2% since it released its first-quarter earnings results on May 5. Here's a quick breakdown of 10 of the most notable statistics from the first quarter of fiscal 2016 compared with the year-ago period:

1. Adjusted net income decreased 3% to \$414 million
2. Adjusted basic earnings per share remained unchanged at \$0.70
3. Operating revenues increased 2.6% to \$3.11 billion
4. Adjusted earnings before interest, taxes, depreciation, and amortization increased 3.1% to \$1.19 billion
5. Free cash flow decreased 60.1% to \$108 million
6. Total subscribers increased 1.5% to 12.44 million
7. Wireless subscribers increased 1.2% to 8.39 million
8. High-speed Internet subscribers increased 6.7% to 1.6 million
9. TV subscribers increased 8.4% to 1.02 million

10. Network access service lines decreased 6.2% to 1.44 million

Telus's stock currently trades at 15.2 times fiscal 2016's estimated earnings per share of \$2.66 and 14.6 times fiscal 2017's estimated earnings per share of \$2.77, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.4 and the industry average multiple of 21.5.

Additionally, Telus pays a quarterly dividend of \$0.46 per share, or \$1.84 per share annually, which gives its stock a yield of about 4.55%. Investors must also make the following two notes.

First, Telus has raised its annual dividend payment for 12 consecutive years, and its three hikes since the start of 2015, including its 4.5% hike earlier this month, have it on pace for 2016 to mark the 13th consecutive year with an increase.

Second, the company has a dividend-growth program in place to grow its dividend by 7-10% annually through 2019.

Which is the better buy now?

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

Metric	BCE	Telus
Q1 Earnings Strength	1	2
Forward P/E Valuations	2	1
Dividend Yield	1	1
Annual Dividend Increase Streak	2	1
Dividend Growth Program	2	1
Average Ranking	1.6	1.2

As the chart above depicts, BCE reported stronger first-quarter earnings results, and both stocks have yields of about 4.6%, but Telus's stock trades at more attractive forward valuations, has a longer streak of annual dividend increases, and has a superior dividend-growth program, giving it the edge in this match up.

With all of this being said, I think both stocks represent very attractive long-term investment opportunities, so Foolish investors should strongly consider investing in one of them 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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